

HEALTH SERVICES AND DEVELOPMENT AGENCY

NOVEMBER 14, 2012

APPLICATION SUMMARY

NAME OF PROJECT: Methodist Healthcare-Memphis Hospitals d/b/a  
Methodist University Hospital

PROJECT NUMBER: CN1208-041

ADDRESS: 1265 Union Avenue  
Memphis (Shelby County), TN 38104

LEGAL OWNER: Methodist Healthcare - Memphis Hospitals  
1211 Union Avenue, Suite 700  
Memphis (Shelby County), TN 37055

OPERATING ENTITY: Not Applicable

CONTACT PERSON: Carol Weidenhoffer  
(901) 516-0679

DATE FILED: August 15, 2012

PROJECT COST: \$33,488,985.00

FINANCING: Cash reserves

PURPOSE FOR FILING: Hospital construction and renovation in excess of \$5.0  
million

DESCRIPTION:

Methodist Healthcare - Memphis Hospitals d/b/a Methodist University  
Hospital (MUH) is seeking approval to replace the MUH emergency department  
(ED) on the MUH campus.

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## CRITERIA AND STANDARDS REVIEW

### CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.
2. For relocation or replacement of an existing licensed health care institution:
  - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

*This criterion does not apply*

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

*This criterion does not apply*

3. For renovation or expansions of an existing licensed health care institution:
  - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

*The applicant provided historical utilization data that demonstrated that between 2007 and 2011 emergency department visits increased by over 10,000 from 45,576 in 2007 to 56,725 in 2011, a 21.8% increase over this four-year period or an average of 5.4% annual growth. The applicant in projecting future emergency department visits takes a conservative approach of utilizing an annual growth rate of 2.5%.*

*It appears that the application meets this criterion.*

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

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*The applicant states that the MUH ED is landlocked and is almost 40 years old. The applicant states that the building is antiquated and out-of-date. With increased volumes, there are inefficient workflows, unacceptable turnaround times, constrained space, limited design visibility that does not provide good pathways for patients.*

*It appears that the application meets this criterion.*

#### SUMMARY:

The applicant states that the ED replacement project will begin with the demolition of two buildings, one being approximately 70 years old and the other approximately 50 years old. The costs of asbestos abatement are included within the project costs. Due to the ages of these buildings, they are somewhat already empty and the few remaining occupants will be relocated. The replacement ED will be constructed on this site.

The replacement ED will be a two-story building containing 92,992 square feet (SF) of newly constructed space and 6,135 existing SF will be renovated by refurbishing the lobby and establishing connections to the main hospital. The lower level will contain new ambulance bays and converts to a mass decontamination area for disaster planning. The first floor will house the main ED. The second floor will be interstitial space for supporting mechanical. The roof of the building will contain a heliport. The existing heliport will remain intact as a backup. The applicant states that since the new building is connecting to the main hospital with existing services, the construction will be a phased process. The applicant states that the facility will be designed as a green building and upon completion, the team will pursue Leadership in Energy and Environmental Design (LEED) certification by the U.S. Green Building Council. The design proposal seeks to reduce operating costs by using less energy and water as well as reduce the impacts on the environment. The proposed project will also include the replacement of an existing CT scanner.

The proposed project will increase treatment spaces by 16 as displayed in the table below:

| Function                      | Current Spaces | Proposed Spaces | # Change   |
|-------------------------------|----------------|-----------------|------------|
| <b>MAIN ED</b>                |                |                 |            |
| Exam Rooms                    | 21             | 21              | 0          |
| Trauma Rooms                  | 1              | 1               | 0          |
| Resuscitation Rooms           | 3              | 4               | +1         |
| Observation Rooms             | 0              | 6               | +6         |
| <b>RAPID MEDICAL EXAM</b>     |                |                 |            |
| Swing Rooms                   | 7              | 10              | +3         |
| Open Bays                     | 4              | 10              | +6         |
| <b>INTAKE</b>                 |                |                 |            |
| Convertible Space             | 2              | 2               | 0          |
| <b>Total Treatment Spaces</b> | <b>38</b>      | <b>54</b>       | <b>+16</b> |

The applicant states that the determination of the required number and mix of treatment locations were based on detailed analysis of current arrival patterns, length of stay assumptions, and planned changes in operational patterns. Simulation models were developed to estimate bed utilization during peak periods, establishing the required number of treatment location. The simulation model utilized yielded the need for 54 treatment spaces creating potential capacity for 70,000 visits.

The applicant states that the rooms in the main ED are for higher acuity patients. The rapid medical exam rooms are a fast-track work zone that will decrease wait times and improve turnaround times and satisfaction.

A detailed description of the project can be found on pages 8-10 of the original application and a detailed discussion on demand for the project can be found on pages 17-20 of the original application.

The applicant provides multiple reasons on why the proposed project is needed:

- The current ED is landlocked and is almost 40 years old. It is antiquated and out-of-date.

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- The ED is certified by the Joint Commission as a Stroke Center and Acute Myocardial Infarction (AMI) Center and is pursuing certification from the Society for Chest Pain Centers for Cycle IV Accreditation. Referrals for these high-end services have grown over the last several years.
- Annual emergency department volume has increased by more than 10,000 visits in the past four years.
- Increased volumes have caused issues with workflow, unacceptable turnaround times, space constraints, limited visibility causing issues in work areas and poor pathway design for patients. At times the ED uses hallway beds, areas taped off in the hall, to resolve capacity issues.
- The proposed project repositions and increases the number of ambulance bays to accommodate the increased number of ambulances.
- The proposed project offers an improved design for disaster planning.

The applicant, Methodist Healthcare-Memphis Hospitals, is a not-for-profit corporation that operates five Shelby County hospitals under a single license. The applicant is a wholly-owned subsidiary of a broader parent organization, Methodist Healthcare, which is a not-for-profit corporation with ownership and operating interests in healthcare facilities in West Tennessee and North Mississippi. Attachment A.4. contains an organization chart and information on the facilities owned in whole or part by Methodist Healthcare.

Methodist University Hospital is a 617 bed acute care hospital. The Joint Annual Report for 2011 indicates MUH staffed 426 beds of its licensed 617 beds, for 55.1% licensed bed occupancy and 79.8% staffed bed occupancy.

The following provides the Department of Health's definition of the two bed categories pertaining to occupancy information provided in the Joint Annual Reports:

*Licensed Beds - The maximum number of beds authorized by the appropriate state licensing (certifying) agency or regulated by a federal agency. This figure is broken down into adult and pediatric beds and licensed bassinets (neonatal intensive or intermediate care bassinets).*

*Staffed Beds - The total number of adult and pediatric beds set up, staffed and in use at the end of the reporting period. This number should be less than or equal to the number of licensed beds.*

According to the application utilizing demographic data from Claritas, US Census, and TennCare, MUH's five county service area of Shelby, Fayette, and Tipton Counties in Tennessee; DeSoto County in Mississippi, and Crittenden

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County in Arkansas, is projected to grow by 3% between 2012 and 2017 from 1,254,318 to 1,296,327. The State of Tennessee is projected to increase 4% over the same time period. Persons 65+ are projected over the same period to increase 19%, from 129,327 in 2012 to 153,655 in 2017. This compares to 18% for Tennessee overall. Persons Age 65+ account for 10% of the total population in the service area. This compares to 13% for Tennessee. TennCare enrollees account for 24% of the population in the Tennessee portion of the service area. The range in the three Tennessee Counties is Fayette County at 14% and Shelby County at 25%. This compares to 19% for the State of Tennessee.

There are thirteen hospitals in the Tennessee side of the service area that operate emergency departments. These hospitals' historic emergency department visit volume is displayed in the table below:

**Service Area Hospital Emergency Visit Trends, 2009-2011**

| <b>Hospital</b>                    | <b>2009</b>    | <b>2010</b>    | <b>2011</b>    | <b>'09- '11 %<br/>Change</b> | <b>% Total<br/>(2011)</b> |
|------------------------------------|----------------|----------------|----------------|------------------------------|---------------------------|
| Methodist-Fayette                  | 8,142          | 7,728          | 7,631          | -6.3%                        | 1.5%                      |
| Baptist-Memphis                    | 56,966         | 54,284         | 56,862         | -0.2%                        | 11.0%                     |
| Baptist-Collierville               | 15,880         | 16,104         | 16,602         | +4.5%                        | 3.2%                      |
| Delta Medical Center               | 19,070         | 20,629         | 24,350         | +27.7%                       | 4.7%                      |
| Methodist University               | 51,205         | 54,765         | 56,725         | +10.8%                       | 11.0%                     |
| Methodist-North                    | 45,670         | 53,336         | 59,726         | +30.8%                       | 11.6%                     |
| Methodist-South                    | 54,674         | 55,522         | 59,346         | +8.5%                        | 11.5%                     |
| Methodist-Germantown               | 43,512         | 43,757         | 48,109         | +10.6%                       | 9.3%                      |
| Le Bonheur Children's              | 69,004         | 44,017         | 48,128         | -30.3%                       | 9.3%                      |
| <b>Methodist-Memphis-Sub-total</b> | <b>264,065</b> | <b>251,397</b> | <b>272,034</b> | <b>+3.0%</b>                 | <b>52.8%</b>              |
| The MED                            | 55,591         | 47,669         | 45,189         | -18.7%                       | 8.8%                      |
| St. Francis                        | 37,014         | 37,223         | 39,853         | +7.7%                        | 7.7%                      |
| St. Francis-Bartlett               | 28,439         | 29,666         | 31,353         | +10.2%                       | 6.1%                      |
| Baptist-Tipton                     | 21,828         | 20,914         | 21,521         | -1.4%                        | 4.2%                      |
| <b>TOTAL</b>                       | <b>506,995</b> | <b>485,614</b> | <b>515,395</b> | <b>+1.7%</b>                 | <b>100.0%</b>             |

The table above indicates that total emergency department visits at service area hospitals increased 1.7% between 2009 and 2011. The emergency department volume of the five Methodist Memphis Hospitals increased 3.0% during this time period. Individually 8 of the 13 hospitals experienced emergency department volume growth during this time period from 4.5% at Baptist Collierville to 30.8% at Methodist-North. Five of the hospitals experienced decline in emergency department visits from -0.2% at Baptist-Memphis to -30.3% at LeBonheur Children's. The applicant accounts for 11% of the emergency room visits in the Tennessee side service area hospitals. The five Methodist-Memphis hospitals in

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Shelby County as a group account for 52.8% of the emergency department visits in the Tennessee side service area hospitals.

The applicant provides historical and projected emergency department volumes by five levels of care, which are explained in detail on pages 5 and 6 of the Supplemental Response. The volumes are displayed in the table below:

**Methodist University Hospital Actual and Projected Emergency Department Volumes by Level of Care**

| Acuity Level                           | 2009 (Actual) | 2010 (Actual) | 2011 (Actual) | 2015 (Projected) | 2016 (Projected) |
|----------------------------------------|---------------|---------------|---------------|------------------|------------------|
| Level I <sup>(1)</sup>                 | 493           | 500           | 604           | 689              | 706              |
| Level II <sup>(2)</sup>                | 2,804         | 3,507         | 3,666         | 4,182            | 4,286            |
| Level III <sup>(3)</sup>               | 11,608        | 13,282        | 13,574        | 15,483           | 15,870           |
| Low to Moderate Severity Sub-Total     | 14,905        | 17,289        | 17,844        | 20,354           | 20,862           |
| Low to Moderate Severity as % of Total | 29.1%         | 31.6%         | 31.5%         | 31.5%            | 31.5%            |
| Level IV <sup>(4)</sup>                | 16,565        | 16,069        | 16,568        | 18,898           | 19,370           |
| Level V <sup>(5)</sup>                 | 19,735        | 21,407        | 22,313        | 25,450           | 26,088           |
| High Severity Sub-Total                | 36,300        | 37,476        | 38,881        | 44,348           | 45,458           |
| High Severity as % of Total            | 70.9%         | 68.4%         | 68.5%         | 68.5%            | 68.5%            |
| TOTAL                                  | 51,205        | 54,765        | 56,725        | 64,702           | 66,320           |
| % Annual Growth                        |               | 7.0%          | 3.6%          | 2.5%             | 2.5%             |

(1) Self-limited or minor

(2) Low to Moderate Severity

(3) Moderate Severity

(4) High severity and require urgent evaluation by the physician but do not pose an immediate significant threat to life or physiologic function

(5) High severity and pose an immediate significant threat to life or physiologic function

Source: CN1208-041

The applicant has been averaging 5% annual growth historically in emergency room visits but chose a conservative annual growth rate of 2.5% for projected volumes. The percentage of emergency room patients who have classified as

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high severity have historically accounted for approximately 68-71% of emergency room visits and the applicant projects that percentage during the first two years after completion of the project to be 68.5%. The percentage of emergency room patients who have classified as low to moderate severity have historically accounted for approximately 29-32% of emergency room visits and the applicant projects that percentage during the first two years after completion of the project to be 31.5%. The applicant states that 67% of all inpatient admissions at MUH are generated through the ED and that 23% of all patients seen in the ED are admitted as inpatients.

Based upon the above projected utilization numbers, the Projected Data Chart shows the project will not reach profitability during each of the first two years of operation, showing a Net Operating Loss of (\$3,306,000) in Year 1 and (\$1,561,000) in Year 2. In addition to emergency room patients treated and released, this includes inpatients admitted through the emergency department. The applicant states that the average gross charge per visit is \$12,438. Average deduction to revenue is \$9,633 resulting in a net charge per visit of \$2,805. The applicant acknowledges that the Projected Data Chart shows sustained losses in emergency services but notes that these services currently sustain losses and the facility remains financially viable.

Based on gross revenue during the first year of the project the applicant projects a payor mix that includes 49.5% Medicare (\$398,315,000) and 16.0% TennCare /Medicaid (\$129,089,000). The applicant states that Methodist Healthcare hospitals contract with all TennCare MCOs in the service area: Americhoice, BlueCare, and TennCare Select. Methodist hospitals also contract with Medicaid in the adjoining states.

The Historical Data Chart for MUH displays a net operating loss of \$6,926,000 in 2009 improving to a net operating profit of \$5,069,000 in 2010, and \$5,622,000 in 2011. The applicant also submitted in the Supplemental Response a Historical Data Chart for the Emergency Department which reported a net operating loss of (\$12,427,000) in 2009, (\$10,494,000) in 2010, and (\$6,900,000) in 2011.

The applicant provides the current staffing pattern for the emergency department and the projected staffing pattern after project completion. Total FTEs are projected to increase by 5.2 FTEs as displayed in the chart below:

| Position            | 2012 FTEs   | 2016 FTEs   | # Change    |
|---------------------|-------------|-------------|-------------|
| RNs                 | 41.2        | 43.8        | +2.6        |
| Techs/Paramedics    | 20.7        | 23.3        | +2.6        |
| Access Facilitators | 15.4        | 15.4        | 0           |
| Clerical/Support    | 13.1        | 13.1        | 0           |
| <b>TOTAL</b>        | <b>90.4</b> | <b>95.6</b> | <b>+5.2</b> |

The total estimated project cost is \$33,443,985 of which Construction Costs (with contingency) account for \$22,772,866 or 68% of total project costs. The next largest cost is preparation of site, which is \$5,026,250 or 15% of total project cost. Fixed and moveable equipment is \$2,486,428 or 7.4% of total project cost. The applicant states that the construction cost per square foot including contingencies is \$277.93, which is between the median and third quartile of previously approved hospital projects during 2009-2011.

The applicant states that Methodist Healthcare is prepared to fund the project cost with cash reserves. An August 10, 2012 letter from the Senior Vice President Finance of Methodist Healthcare certifies that Methodist Healthcare has available cash balances to commit to this project. Review of Methodist Healthcare's unaudited balance sheet dated July 2012 reports unrestricted cash and temporary investments of \$763,235,000. An audited balance sheet dated December 31, 2011 reports cash and cash equivalents of \$71,558,000. A review of Methodist Healthcare's 12/31/11 Financial Statements revealed a favorable current ratio of 5.28 to 1. Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities, which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 5.28:1 would mean that the applicant has over five times the current assets needed to cover its current liabilities. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

*The applicant has submitted the required corporate documents, real estate title, and vendor quote for the CT Scanner. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency office.*

Should the Agency vote to approve this project, the CON would expire in three years.

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## CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied or pending applications for this applicant.

### Outstanding Certificate of Need

**Methodist Healthcare-Memphis Hospitals d/b/a Methodist University Hospital, CN1111-047A**, has an outstanding Certificate of Need that will expire on April 1, 2015. It was approved at the February 22, 2012 Agency meeting for the relocation and replacement of a PET/CT unit from 1388 Madison to the West Clinic at 1588 Union Ave., Memphis. The unit will continue to be operated by Methodist and will not increase the number of PET units in the service area. The estimated cost of the project is **\$3,257,783.00**. *Project Status-The facility is in final negotiations with the contractor and expects to start construction in August 2012. Construction is expected to take 6-8 months, and the PET/CT will be installed within the first four months of construction.*

**Methodist Healthcare-Memphis Hospitals** has financial interests in this project and the following:

### Outstanding Certificates of Need

**Methodist LeBonheur Children's Medical Center, CN0609-076A**, has an outstanding Certificate of Need that will expire on February 1, 2013. A one year extension of the CON was granted at the December 14, 2011 Agency meeting. The Certificate of Need was approved at the December 20, 2006 Agency meeting for the replacement of the existing 225 bed pediatric acute care facility with a new 648,160 square feet, pediatric acute care hospital on property adjacent to the existing facility with renovation in a 127,340 square foot portion of the existing building. The remainder of the existing facility is planned for demolition. The project does not involve the initiation or discontinuance of any service or change the facility's total bed complement. The project will also include the conversion of 15 pediatric beds to NICU beds and the acquisition of an intra-operative MRI. The estimated project cost is **\$326,956,905.00**. *Project Status: The new pediatric hospital opened December 2010. The renovation of the existing facility is complete. The demolition of one of the old buildings is complete as of October 2012. The Final Project Report will be filed in the next 90 days.*

**CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:**

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for other entities proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

MAF  
(11/05/12)



## **LETTER OF INTENT**



**LETTER OF INTENT**  
**TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY**

2012 AUG 10 AM 10: 43

The Publication of Intent is to be published in the Commercial Appeal which is a newspaper of general circulation in Shelby County, Tennessee, on or before August 10, 2012 for one day.

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Methodist Healthcare-Memphis Hospitals d/b/a Methodist University Hospital (a general hospital), owned and managed by Methodist Healthcare-Memphis Hospitals (a not for profit corporation), intends to file an application for a Certificate of Need for the replacement of the Emergency Department (ED) and relocation of the ED within the hospital's campus at 1265 Union Avenue, Memphis, TN 38104. The project is the construction of a replacement ED and renovation of existing space. The project will replace an existing CT. The project involves approximately 93,000 square feet of new space and 6,200 of renovated space. This project does not involve inpatient beds, initiation of services or addition of other major medical equipment. The estimated total project costs are \$33,488,985.

The anticipated date of filing the application is on or before August 15, 2012. The contact person for this project is Carol Weidenhoffer, Corporate Director of Planning and Business Development, who may be reached at: Methodist Healthcare, 1211 Union Avenue, Suite 700, Memphis, TN, 38104, 901-516-0679.

Carol Weidenhoffer  
(Signature)

8-10-12  
(Date)

Carol.Weidenhoffer@mlh.org  
(E-mail Address)

=====

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency  
Andrew Jackson Building  
500 Deaderick Street, Suite 850  
Nashville, Tennessee 37243

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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HF0051 (Revised 05/03/04 - all forms prior to this date are obsolete)

# ORIGINAL APPLICATION

**1. Name of Facility, Agency, or Institution**

Methodist Healthcare-Memphis Hospitals d/b/a Methodist University Hospital

Name

1265 Union Avenue

Address

Shelby

County

Memphis

City

TN

State

38104

Zip Code

**2. Contact Person Available for Responses to Questions**

Carol Weidenhoffer

Name

Corporate Director of Planning

Title

Methodist Le Bonheur Healthcare

Company Name

Carol.Weidenhoffer@mlh.org

E-mail address

1211 Union Avenue, Suite 700

Street or Route

Memphis

City

TN

State

38104

Zip Code

Employee

Association with Owner

901-516-0679

Phone Number

901-516-0738

Fax Number

**3. Owner of the Facility, Agency or Institution See Attachment A:3**

Methodist Healthcare – Memphis Hospitals

Name

901-516-0791

Phone Number

1211 Union Avenue, Suite 700

Street or Route

Shelby

County

Memphis

City

TN

State

38104

Zip Code

**4. Type of Ownership of Control (Check One) See Attachment A:4**

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

E. Corporation (Not-for-Profit)

F. Governmental (State of TN  
or Political Subdivision)

G. Joint Venture

H. Limited Liability Company

I. Other (Specify)

X

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

5. **Name of Management/Operating Entity (If Applicable)**

Not Applicable  
Name

Street or Route

County

City

State

Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. **Legal Interest in the Site of the Institution** See Attachment A:6

A. Ownership X D. Option to Lease \_\_\_\_\_  
B. Option to Purchase \_\_\_\_\_ E. Other (Specify) \_\_\_\_\_  
C. Lease of \_\_\_\_\_ Years \_\_\_\_\_

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

7. **Type of Institution** (Check as appropriate—more than one response may apply)

|                                                                          |                                              |
|--------------------------------------------------------------------------|----------------------------------------------|
| A. Hospital (Specify) <u>Acute</u> <u>X</u>                              | I. Nursing Home _____                        |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty _____    | J. Outpatient Diagnostic Center _____        |
| C. ASTC, Single Specialty _____                                          | K. Recuperation Center _____                 |
| D. Home Health Agency _____                                              | L. Rehabilitation Facility _____             |
| E. Hospice _____                                                         | M. Residential Hospice _____                 |
| F. Mental Health Hospital _____                                          | N. Non-Residential Methadone Facility _____  |
| G. Mental Health Residential Treatment Facility _____                    | O. Birthing Center _____                     |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) _____ | P. Other Outpatient Facility (Specify) _____ |
|                                                                          | Q. Other Specify _____                       |

8. **Purpose of Review** (Check as appropriate—more than one response may apply)

|                                                                              |                                                                                        |
|------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| A. New Institution _____                                                     | G. Change in Bed Complement _____                                                      |
| B. Replacement/Existing Facility <u>X</u>                                    | [Please note the type of change                                                        |
| C. Modification/Existing Facility <u>X</u>                                   | by underlining the appropriate                                                         |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) _____ | response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] _____ |
| (Specify) _____                                                              | H. Change of Location _____                                                            |
| E. Discontinuance of OB Services _____                                       | I. Other (Specify) _____                                                               |
| F. Acquisition of Equipment <u>CT Replacement</u> <u>X</u>                   |                                                                                        |

9. **Bed Complement Data**  
Please indicate current and proposed distribution and certification of facility beds.

|                                                                     | <u>Current<br/>Licensed</u> | <u>Beds<br/>*CON</u> | <u>Staffed<br/>Beds</u> | <u>Beds<br/>Proposed</u> | <u>TOTAL<br/>Beds at<br/>Completion</u> |
|---------------------------------------------------------------------|-----------------------------|----------------------|-------------------------|--------------------------|-----------------------------------------|
| A. Medical                                                          | 503                         |                      | 316                     |                          | 503                                     |
| B. Surgical                                                         |                             |                      |                         |                          |                                         |
| C. Long-Term Care Hospital                                          |                             |                      |                         |                          |                                         |
| D. Obstetrical                                                      |                             |                      |                         |                          |                                         |
| E. ICU/CCU                                                          | 80                          |                      | 76                      |                          | 80                                      |
| F. Neonatal                                                         |                             |                      |                         |                          |                                         |
| G. Pediatric                                                        |                             |                      |                         |                          |                                         |
| H. Adult Psychiatric                                                | 34                          |                      | 34                      |                          | 34                                      |
| I. Geriatric Psychiatric                                            |                             |                      |                         |                          |                                         |
| J. Child/Adolescent Psychiatric                                     |                             |                      |                         |                          |                                         |
| K. Rehabilitation                                                   |                             |                      |                         |                          |                                         |
| L. Nursing Facility (non-Medicaid Certified)                        |                             |                      |                         |                          |                                         |
| M. Nursing Facility Level 1 (Medicaid only)                         |                             |                      |                         |                          |                                         |
| N. Nursing Facility Level 2 (Medicare only)                         |                             |                      |                         |                          |                                         |
| O. Nursing Facility Level 2<br>(dually certified Medicaid/Medicare) |                             |                      |                         |                          |                                         |
| P. ICF/MR                                                           |                             |                      |                         |                          |                                         |
| Q. Adult Chemical Dependency                                        |                             |                      |                         |                          |                                         |
| R. Child and Adolescent Chemical Dependency                         |                             |                      |                         |                          |                                         |
| S. Swing Beds                                                       |                             |                      |                         |                          |                                         |
| T. Mental Health Residential Treatment                              |                             |                      |                         |                          |                                         |
| U. Residential Hospice                                              |                             |                      |                         |                          |                                         |
| <b>TOTAL</b>                                                        | <b>617</b>                  |                      | <b>426</b>              |                          | <b>617</b>                              |

\*CON-Beds approved but not yet in service

|     |                                 |                     |
|-----|---------------------------------|---------------------|
| 10. | <b>Medicare Provider Number</b> | 44-0049             |
|     | <b>Certification Type</b>       | Acute Care Facility |
| 11. | <b>Medicaid Provider Number</b> | 44-0049             |
|     | <b>Certification Type</b>       | Acute Care Facility |

**12. If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

The applicant, Methodist Healthcare–Memphis Hospitals, is a healthcare provider that operates five Shelby County hospitals under a single license. The system is certified for both Medicare and TennCare/Medicaid; and the system's acute care provider numbers cover all five hospitals—including Methodist University Hospital, which this application addresses.

**13. Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCO's/BHO's) operating in the proposed service area. Will this project involve the treatment of TennCare participants? If the response to this item is yes, please identify all MCO's/BHO's with which the applicant has contracted or plans to contract. Discuss any out-of-network relationships in place with MCO's/BHO's in the area.**

The Tennessee plans offered in the project service area are Americhoice, BlueCare and TennCare Select. Americhoice and BlueCare are the main two MCOs, and TennCare Select is the plan for disabled children or children in foster care. The project service area also includes DeSoto County in Mississippi and Crittenden County in Arkansas, where Medicaid is available.

All of Methodist Healthcare's hospitals treat TennCare participants under the system's TennCare contracts. Methodist Healthcare–Memphis Hospitals contracts with all three TennCare plans offered in the service area and with Medicaid in adjoining States.

**NOTE:** Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

## **SECTION B: PROJECT DESCRIPTION**

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

**I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.**

### **Proposed Services and Equipment**

- This project is for a replacement Emergency Department (ED) on the Methodist University Hospital campus. The new ED will essentially become the "front door" of the hospital.
- As part of the project two buildings on the campus, the Doctors' and West buildings at the corner of Bellevue Boulevard and Eastmoreland Avenue will be demolished. New construction will reposition emergency services to this site as a two-story structure with a heliport on the roof. The project will construct approximately 93,000 square feet of new space (including the heliport, ambulance bays and interstitial space) and 6,200 of renovated space.
- The first floor will house the main ED and the second floor will be interstitial space for supporting mechanical. A total of 54 treatment areas will be housed in the new ED, an addition of 16 new areas, creating potential capacity for 70,000 visits. The lower level will contain new ambulance bays for drop-off and parking with elevators to the main floor of the ED. This lower level space also converts to mass decontamination area.
- The existing lobby of the hospital will be renovated as part of the project and will tie it into this new building.
- As a part of this project, an existing CT scanner will be replaced.
- Methodist plans to use Integrated Project Delivery (IPD) implementation on this project. It is a team approach with an agreement between the owner, contractor and architect for construction management. This innovative model reduces costs and waste through shared risks and rewards.
- Similar to recent construction project led by Methodist, the facility will be designed as a green building and upon completion the team will pursue Leadership in Energy and Environmental Design (LEED) certification by the U.S. Green Building Council. The design proposal seeks to reduce operating costs by using less energy and water as well as reduce the impacts on the environment.

### **Ownership Structure**

- The applicant, Methodist Healthcare–Memphis Hospitals (Methodist), is a not-for-profit corporation that operates five Shelby County hospitals under a single license. The applicant is a wholly-owned subsidiary of a broader parent organization, Methodist Healthcare, which is a not-for-profit corporation with ownership and operating interests in healthcare facilities in West Tennessee and North Mississippi. Attachment A:4 contains an organization chart, and information on the facilities owned in whole or in part by Methodist Healthcare.

### **Service Area**

- The project service area consists of Shelby, Tipton and Fayette Counties in Tennessee, DeSoto County in Mississippi and Crittenden County in Arkansas. There is no change in the service area with this project.

### **Need**

- As the system's tertiary academic medical center, Methodist University Hospital, located in the downtown Memphis Medical Center, is well positioned to serve all five counties in the service area. Methodist University is committed to education and advancements in clinical care and as such is a vital organization within the medical district.



- The Methodist University ED is landlocked. The building was built almost forty years ago – it is antiquated and out-of-date. The physical plant alone warrants the need for the project.
- The ED is a certified by the Joint Commission as a Stroke Center and Acute Myocardial Infarction (AMI) Center, and is pursuing certification from the Society for Chest Pain Centers for Cycle IV Accreditation. Referrals for these high-end services have grown over the last several years.
- The ED has experienced intense volume growth over the last five years placing greater demands on the department for improved efficiencies, higher standards of quality and satisfaction and increased need to treat patients faster. Emergency visits have increased from almost 47,000 visits (2007) to almost 57,000 visits (2011), and the trends are expected to continue.
- The increased levels of visits have exacerbated several issues in the current ED which cause inefficient workflow and unacceptable turnaround times. Space is constrained, visibility is limited with disconnected work areas and design does not provide good pathways for patients. Patient safety and quality are central areas of focus for Methodist. Challenges with patient flow must be eliminated to ensure the highest quality of care.
- In addition to the need for more space in the ED, there is also a need to reposition and expand the ambulance bays. The ambulance bays no longer accommodate the increased number of ambulances and patients seeking treatment at Methodist University. This adversely impacts paramedics and the return of ambulances to service. Methodist needs to eliminate the congestion and delays in offloading patients in order for paramedics to timely return to serving the community.
- This project will improve design for disaster planning with convertible space. The lower level space designated for ambulance bays can be converted to a mass decontamination area. Also, the observation beds in the main ED are positioned so that they can easily be sealed off for decontamination if needed.
- The new ED a long-term solution for the community and area patients.

#### Existing Resources

- In Shelby, Fayette and Tipton Counties in Tennessee there are twelve adult EDs and one pediatric ED. In 2011, the adult facilities treated over 467,000 patients per year, up almost 7% from volumes in 2009 of 437,000.

#### Project Cost, Funding, Feasibility

- The project cost of \$33,488,985 will be funded in cash by the applicant's parent, Methodist Healthcare. Methodist Healthcare is, and will remain, financially viable.

#### Staffing

- The project will require the addition of two FTEs (one RN and one Tech) throughout the hospital with the projected volumes.

**II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.**

**A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc.**

**1. Overview of the Project**

This project is for a replacement ED at the Methodist University Hospital. The new ED will essentially become the "front door" of the hospital. As part of the project two buildings on the campus, the Doctors' and West buildings at the corner of Bellevue Boulevard and Eastmoreland Avenue will be demolished. A two-story building which will house the new ED will be constructed at this site. A new heliport will be built on the roof of the new building. The existing heliport will remain intact as a back-up. The lower level of the building will be the new ambulance bays with elevators to the main floor of the ED. This lower level space will also convert to a mass decontamination area which is an important component to have in place for disaster planning. As a part of this project, an existing CT scanner located in the ED will be replaced.

The project will entail 92,992 SF of new space and 6,135 SF of renovated space. The estimated total project costs are \$33,488,985. If granted CON approval, the replacement ED will be constructed and scheduled to open by December 2014. The projections in this application use calendar years 2015 and 2016 as the project's first two full years of operation.

**2. Detailed Description of the Project**

Methodist will construct 92,992 SF for the new ED and renovate 6,135 SF to refurbish the lobby and establish connections to the main hospital. The new construction is on the southwest side of the hospital campus at the corner of Bellevue Boulevard and Eastmoreland Avenue. Currently, there are two Methodist owned buildings on this corner - the West building and the Doctors' building (see Attachment B.III (A) Plot Plans). The Doctor's building was built in the 1940's as office space for physicians and other support areas. The West building was built in the early 1960's as business occupancy space. Both buildings are antiquated and do not meet hospital healthcare code. The buildings will be demolished as part of this project. The costs for asbestos abatement are included in project costs. Due to the buildings' ages and the outdated conditions, they are somewhat empty already. The few remaining occupants will be relocated. The replacement ED will be constructed on this site.

Please refer to B:IV for the Floor Plans and note the numbers and letters floors in parenthesis in **bold** which correspond to the floor and letters on the floors plans to provide clearer directions for the design plans. (Example: (1A) is the entry and waiting area on the first floor.)

The first floor of the new building will be at ground level and will house the ED. A new circle drive off Eastmoreland Avenue will improve access for patients and families to the ED and the main hospital. The existing ED has steps and a ramp at the main entrance which is difficult to maneuver for patients and families in emergent situations. The improved access and location of the drive will be a satisfier for our customers. From the drive, patients will enter the ED directly through the designated entrance or go into the main hospital through the new front doors adjacent to the ED. Both entrances have access to the existing main lobby which is a portion of the renovation. The lobby will be refurbished to tie into the new building. The **ED waiting room (1A)** is near the ED entrance. An improved patient **intake area (1B)** is designed at the north end of the **waiting room (1A)** with staff to efficiently and effectively triage patients to one of the main treatment areas. This area can be converted to two treatment spaces. Registration and discharge will occur in this controlled access check point. There are three main treatment areas in the ED: 1) **Main ED (1F)**, 2) **Rapid Medical Exam (RME) (1C)** and 3) **Observation (1E)**.

Through the **intake area (1B)** is the **main ED (1F)** which includes twenty-one treatment rooms, one trauma room and four resuscitation rooms for higher acuity patients. Methodist University is the back up for the Regional Medical Center when they go on diversion. The **main ED (1F)** was designed using the inner core

model which will improve patient flow, throughput and patient privacy. This is a linear design which wraps the exam rooms around an inner core. Within the inner core, there are decentralized work areas for staff. Each treatment room will have public access for patients and families and staff access for physicians and clinicians on opposite sides of the room. If a patient's door needs to be left open for monitoring, then the staff can do so from the inner core without privacy concerns. The corridors for patients and family will be around the perimeter.

The new **RME area (1C)** is adjacent to the **waiting room (1A)** and easily accessible from the **intake area(1B)** for rapid triage of lower acuity patients. There are ten treatment rooms and ten open bays in this area. This improved fast-track work zone will decrease wait times and improve turnaround times and satisfaction.

The six **observation beds (1E)** are positioned in the **main ED (1F)** towards the end of the core and are adjacent to the elevators to the ambulance bays. This extension to the core model will be beneficial for staffing. The placement of the beds creates an area that can easily be sealed off for decontamination if needed.

There are a total of fifty-four treatment spaces, sixteen more than exist in the current design, in the plans for the new ED as follows:

|                                   | Current # of Spaces | Proposed # of Spaces |
|-----------------------------------|---------------------|----------------------|
| <b>MAIN ED</b>                    |                     |                      |
| Exam Rooms                        | 21                  | 21                   |
| Trauma Room                       | 1                   | 1                    |
| Resuscitation Rooms               | 3                   | 4                    |
| Observation Rooms                 | 0                   | 6                    |
| <b>RAPID MEDICAL EXAM</b>         |                     |                      |
| Swing Rooms                       | 7                   | 10                   |
| Open Bays                         | 4                   | 10                   |
| <b>INTAKE (convertible space)</b> | 2                   | 2                    |
| <b>Total Treatment Spaces</b>     | <b>38</b>           | <b>54</b>            |

The **imaging area (1D)**, including the replacement CT, is located in between the **main ED (1F)** and **RME areas (1C)** for easy access. The **imaging area (1D)** is dedicated to diagnostics for ED patients. At the east end of the building, past the **main ED (1F)**, there is additional **support space (1G)**.

The first floor will connect to the existing hospital at the main lobby which provides quick access to the critical care waiting room, outpatient pharmacy, gift and coffee shop and a chapel. The first floor also provides means access to central bank of elevators leading to patient floors.

The second floor is interstitial space which contains mechanical space to support ED services.

The third floor is the roof where the **heliport (3A)** will be located. There is a **heliport walkway (3B)** to the **elevator lobby (3C)** and elevators at the north end of the roof. The two elevators are positioned to take patients down to the **main ED (1F)** with immediate access to high acuity level areas such as trauma or resuscitation rooms. The old heliport is fifteen floors up so this shorter ride is much improved. On the north east corner of the roof there will be renovations to expand existing **surgery storage space (3D)** and construct a connector corridor to the existing hospital. The third floor of the existing hospital houses the operating room and the cardiac cath lab. The new ED will have a connection at this level to ensure direct access to these services.

Since the new building is connecting to the main hospital with existing services, the coordination and modifications are a bit more complex than normal new construction. Construction will be a phased process. The first phase will be demolition and site work. The second phase will relocate the main hospital entrance

and redirect patients away from the construction site. Then crews will isolate the construction site as the new ED is built. The last phase will tie in the connectors between the buildings. Methodist expects minimal disruption to patients and existing services during construction.

Methodist plans to use Integrated Project Delivery (IPD) implementation on this project. It is a team approach with an agreement between the owner, contractor and architect for construction management. This innovative model reduces costs and waste through shared risks and rewards.

Similar to all recent construction project led by Methodist, the facility will be designed as a green building and upon completion the team will pursue LEED certification by the U.S. Green Building Council. The design proposal seeks to reduce operating costs by using less energy and water as well as reduce the impacts on the environment.

See Attachments B:III (A) and B:IV for the Plot Plans and Floor Plans.

### 3. Project Costs and Funding Sources

The total cost of the project for CON purposes is \$33,488,985 with construction costs of \$27,550,473 included. The total construction cost is estimated at \$277.93 PSF including contingency. The project costs will be funded by cash contributions from Methodist Healthcare, the parent company of the applicant.

**Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project. Please also discuss and justify the cost per square foot for this project.**

The costs of the project are reasonable and comparable to similar renovations done throughout Methodist Healthcare and Memphis market over the last few years and on recently approved CONs. See the cost per square foot comparison below.

| <b>CON Name</b>                             | <b>Date Filed</b> | <b>Cost per Square Foot</b> |
|---------------------------------------------|-------------------|-----------------------------|
| <b>Methodist University Hospital</b>        | Nov-11            | \$ 244.11                   |
| PET Relocation                              |                   |                             |
| <b>Baptist Memorial Tipton Hospital</b>     | May-11            | \$ 294.43                   |
| Establish Cancer Center                     |                   |                             |
| <b>Le Bonheur Children's Medical Center</b> | Sep-08            | \$ 225.00                   |
| Renovation & NICU Expansion                 |                   |                             |
| <b>St. Francis Hospital – Park</b>          | June-06           | \$ 225.00                   |
| Expansion of ED                             |                   |                             |
| <b>Baptist Memorial Memphis Hospital</b>    | Nov-07            | \$ 212.93                   |
| Expansion of ED and Acquisition of MRI      |                   |                             |

**If the project involves none of the above, describe the development of the proposal. Not Applicable.**

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services. Not Applicable.**

# SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

| A. Unit / Department                           | Existing Location     | Existing SF | Temporary Location | Proposed Final Location | Proposed Final Square Footage |        |        | Proposed Final Cost/ SF |          |              |
|------------------------------------------------|-----------------------|-------------|--------------------|-------------------------|-------------------------------|--------|--------|-------------------------|----------|--------------|
|                                                |                       |             |                    |                         | Renovated                     | New    | Total  | Renovated               | New      | Total        |
| <b>LOWER LEVEL</b>                             |                       |             |                    |                         |                               |        |        |                         |          |              |
| Stair / Elevator Core                          |                       |             |                    | Ground Fl               |                               | 854    | 854    |                         | \$80     | \$60,320     |
| Exit Corridor                                  |                       |             |                    | Ground Fl               |                               | 400    | 400    |                         | \$120    | \$48,000     |
| Decontam/Elev Lobby/Work Room                  |                       |             |                    | Ground Fl               |                               | 765    | 765    |                         | \$120    | \$91,800     |
| Storage                                        |                       |             |                    | Ground Fl               |                               | 165    | 165    |                         | \$75     | \$12,375     |
| On-Grade Parking under ED                      |                       |             |                    | Ground Fl               |                               | 19,875 | 19,875 |                         | \$60     | \$1,192,500  |
| Storage / Mechanical                           |                       |             |                    | Ground Fl               |                               | 5,500  | 5,500  |                         | \$80     | \$440,000    |
| Stair / Elevator 2                             |                       |             |                    | Ground Fl               |                               | 400    | 400    |                         | \$80     | \$32,000     |
| <b>FIRST FLOOR</b>                             |                       |             |                    |                         |                               |        |        |                         |          |              |
| Emergency Department                           | Lower level           | 17,260      |                    | 1 <sup>st</sup> floor   |                               | 32,950 | 32,950 |                         | \$310    | \$10,214,500 |
| Main Entrance Lobby / Gallery                  |                       |             |                    | 1 <sup>st</sup> floor   |                               | 3,200  | 3,200  |                         | \$350    | \$1,120,000  |
| Existing Lobby Refurbishment                   | 1 <sup>st</sup> floor | 5,700       |                    | 1 <sup>st</sup> floor   | 5,700                         |        | 5,700  | \$60                    |          | \$342,000    |
| Stair / Elevator Core                          |                       |             |                    | 1 <sup>st</sup> floor   |                               | 854    | 854    |                         | \$80     | \$68,320     |
| Stair / Elevator 2                             |                       |             |                    | 1 <sup>st</sup> floor   |                               | 400    | 400    |                         | \$80     | \$32,000     |
| <b>SECOND LEVEL</b>                            |                       |             |                    |                         |                               |        |        |                         |          |              |
| Interstitial Space above 1 <sup>st</sup> Floor |                       |             |                    | 2 <sup>nd</sup> floor   |                               | 24,500 | 24,500 |                         | \$110    | \$2,695,000  |
| <b>THIRD LEVEL</b>                             |                       |             |                    |                         |                               |        |        |                         |          |              |
| Stair / Elevator Core                          |                       |             |                    | 3 <sup>rd</sup> floor   |                               | 854    | 854    |                         | \$80     | \$68,320     |
| Elevator Lobby / Sterile Storage Expan         |                       |             |                    | 3 <sup>rd</sup> floor   |                               | 2,275  | 2,275  |                         | \$225    | \$511,875    |
| Renovations at Connection                      |                       |             |                    | 3 <sup>rd</sup> floor   | 435                           |        | 435    | \$75                    |          | \$32,625     |
| B. Unit/Depart. GSF Sub-Total                  |                       |             |                    |                         | 6,135                         | 92,992 | 99,127 |                         |          | \$16,969,635 |
| C. Mechanical/ Electrical GSF                  |                       |             |                    |                         |                               |        |        |                         |          |              |
| D. Circulation /Structure GSF                  |                       |             |                    |                         |                               |        |        |                         |          |              |
| E. Total GSF                                   |                       | 22,960      |                    |                         | 6,135                         | 92,992 | 99,127 |                         |          | \$16,969,635 |
| <b>OTHER</b>                                   |                       |             |                    |                         |                               |        |        |                         |          |              |
| Demolition of Buildings                        |                       |             |                    |                         |                               |        |        |                         | Lump sum | \$2,268,000  |
| Other Demolition and Renovation Allowance      |                       |             |                    |                         |                               |        |        |                         | Lump sum | \$100,000    |
| Heliport for (1) Copter                        |                       |             |                    | Roof                    |                               |        |        |                         | Lump sum | \$750,000    |
| 1400 Ton Standard Efficiency Chiller           |                       |             |                    | Existing                |                               |        |        |                         | Lump sum | \$830,000    |

| 2<br>A. Unit / Department                    | Existing Location | Existing SF | Temporary Location | Proposed Final Location | Proposed Final Square Footage |        |        | Proposed Final Cost/ SF |          |              |
|----------------------------------------------|-------------------|-------------|--------------------|-------------------------|-------------------------------|--------|--------|-------------------------|----------|--------------|
|                                              |                   |             |                    |                         | Renovated                     | New    | Total  | Renovated               | New      | Total        |
| Site work                                    |                   |             |                    | CEP                     |                               |        |        |                         | Lump sum | \$2,658,250  |
| Elevators                                    |                   |             |                    |                         |                               |        |        |                         | Lump sum | \$320,000    |
| Structural Upgrade                           |                   |             |                    |                         |                               |        |        |                         | Lump sum | \$1,150,000  |
| <b>SUBTOTAL CONSTRUCTION &amp; SITE WORK</b> |                   |             |                    |                         |                               |        |        |                         |          | \$25,045,885 |
| Construction cost escalation (10% subtotal)  |                   |             |                    |                         |                               |        |        |                         |          | \$2,504,588  |
| <b>Total</b>                                 |                   | 22,960      |                    |                         | 6,135                         | 92,992 | 99,127 |                         |          | \$27,550,473 |

**C. As the applicant, describe your need to provide the following health care services (if applicable to this application):** Not Applicable

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

**D. Describe the need to change location or replace an existing facility.**

See the response to Section C under the responses to the Project-Specific Review Criteria:  
Construction, Renovation, Expansion, and Replacement of Health Care Institutions

**E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:**

The CT equipment proposed for purchase in this project replaces existing fixed equipment; therefore 1. and 2. below are not applicable.

1. **For fixed-site major medical equipment (not replacing existing equipment):** Not Applicable
  - a. **Describe the new equipment, including:**
    1. Total cost ;(As defined by Agency Rule).
    2. Expected useful life of a
    3. List of clinical applications to be provided;
    4. Documentation of FDA approval.
  - b. **Provide current and proposed schedules of operations.**
2. **For mobile major medical equipment:** Not Applicable
  - a. **List all sites that will be served;**
  - b. **Provide current and/or proposed schedule of operations;**
  - c. **Provide the lease or contract cost.**
  - d. **Provide the fair market value of the equipment; and**
  - e. **List the owner for the equipment.**

3. **Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.**

Methodist is including the replacement of CT equipment as part of the project. Yet, since the equipment is aging and due to be replaced, Methodist anticipates the CT will be replaced within the next 2 years either with the approval of this project or approval for equipment replacement. See Attachment B:II (E)(3) for the quote from the vendor.

**III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:**

See Attachment B:III (A) for the plot plan.

1. **Size of site (in acres);**
2. **Location of structure on the site; and**
3. **Location of the proposed construction.**
4. **Names of streets, roads or highway that cross or border the site.**

*Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.*

**(B) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.**

Methodist University Hospital is in the heart of the Memphis Medical Center. The hospital campus is located on Union Avenue, in downtown Memphis, within a few blocks of the Union Avenue exit from Interstate-240 (I-240) which makes it easily accessible for area patients via automobile and ambulance. Union Avenue runs east-west from the Mississippi River (in downtown Memphis) to Houston-Levee Road in Germantown, Tennessee (changing names to Walnut Grove as it runs through the city). I-240 loops around the city of Memphis with major junctions at I-40 (east-west highway that traverses the state of Tennessee and locally connects Arkansas and Tennessee), I-55 (north-south highway locally connecting Tennessee to Mississippi, northern Arkansas and Missouri), and State Route 385 (loops through East Memphis suburbs) as well as several US Highways including US-64/US-70/US-79, US-78 and US-72.

The Memphis Area Transit Authority (MATA) services this area with Route 34, which lists Methodist University Hospital as a major stop on the route. Please see Attachment B: III (B) for a copy of this public transportation route.

**IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.**

**NOTE: DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

See Attachment B:IV. for the floor plans.

**V. For a Home Health Agency or Hospice, identify: Not applicable.**

1. **Existing service area by County;**



- 2. Proposed service area by County;**
- 3. A parent or primary service provider;**
- 4. Existing branches; and**
- 5. Proposed branches.**

## **SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

### **QUESTIONS**

#### **NEED**

1. **Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.**

The applicant's mission embodies the spirit of the Guidelines for Growth and the Five Principles to Achieve Better Health as outlined in the State Health Plan. Methodist Le Bonheur Healthcare's mission is to partner with its medical staffs and collaborate with its patients and families to be the leader in high quality, cost effective healthcare in all sectors of its service area. Its geographical distribution makes Methodist Healthcare the area provider with the largest number of entry points, and the most socio-economically diverse patient population. This project complies with the mission and the tenants of the State Health Plan and Guidelines for Growth.

#### **Healthy Lives:**

*The purpose of the State Health Plan is to improve the health of Tennesseans.*

**Every person's health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.**

The Healthy Lives Principle is promoted through the enhanced collaboration with paramedics, patients and families with this project. Methodist designed the proposed ambulance bays to improve traffic flow and expand parking which will eliminate congestion and delays in offloading patients. Paramedics will return to serving the community faster with this project. Additionally, the design of the new ED, particularly the inner core model, will improve communication, patient privacy and patient involvement in their personal care. The ED rooms are larger to accommodate families. Family can stay with the patient and be involved in discussions about care. The rooms have separate corridors and access for families and staff to ensure more privacy and advance adherence to HIPAA regulations. Methodist has adopted a patient and family centered culture. Associates are encouraged to truly partner with patients and families, not only to involve them in decisions about care, but also gain the benefit of their insights to better plan and deliver care. The core principles for culture are respect and dignity, information sharing, participation and collaboration. The improved ED design coupled with employment of these principles, patients can achieve better outcomes, and the hospital can improve the care for all ED patients

### **Access to Care:**

*Every citizen should have reasonable access to health care.*

Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

Methodist Healthcare has strategically placed and maintained hospitals and ambulatory facilities in all quadrants of Shelby County as part of its mission. University Hospital remained committed to the inner city and mission markets even as competitors and other healthcare resources followed the population shift to the east. The hospital is centrally located in the downtown Memphis Medical Center making it easily accessible patients and families in the tri-state area. In keeping with the mission, access to healthcare services is not restricted by existing health status, employment, income, geography, or culture. The project will improve patients' access to emergency services in the market.

### **Economic Efficiencies:**

*The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.*

The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.

The new location will maintain the applicant's scope of emergency services while meeting the patient care needs more completely and efficiently. Long term cost reductions and operating efficiencies will be realized by the improved patient flows, reduced wait times and enhanced communication. Staffing levels will eventually be trimmed down as Associates realize efficiencies in the new work environment. Cost controls are increasingly part of the quality conversation in healthcare, and the systematic identification and elimination of waste while maintaining or improving quality is imperative for future success. Additionally, there are congestion and delays in offloading patients from ambulances due to inadequate space and parking conditions. This adversely impacts paramedics and the return of ambulances to service. The project removes the barriers for paramedics to timely return to serving the community.

### **Quality of Care:**

*Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.*

Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.

Patient safety and quality are central areas of focus in Methodist hospitals. The framework for Methodist Healthcare's approach to systematic quality improvement includes the following dimensions: safe, timely, effective, efficient, equitable, patient-centered, accessible and sustainable. In the Methodist University ED currently, there are challenges in providing timely and efficient care due to constrained space, limited visibility from disconnected work areas and barriers to optimal patient flows. The goal with the new design is to create adequate space, flexible room configuration and streamlined designs to triage and treat patients for all acuity levels. The clinical staff will have more opportunity for collaboration across modalities and with physicians for improved quality care. The more efficient flow in the proposed facility has fewer touch points, facilitates improved communication and consolidates work zones for more efficient and timely care for all acuity levels.

### **Health Care Workforce:**

*The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.*

The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.

Methodist University Hospital is the system's tertiary academic medical center affiliated with the University of Tennessee Health Science Center (UTHSC). The hospital's goals are to leverage the partnership with UTHSC to improve the health of the overall community and raise the level of medical practice for adults and pediatrics. Methodist University Hospital has the role as the principal teaching site for designated programs. The project will also leverage the academic affiliation and support the development, recruitment, and retention of a quality workforce.

- a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

**Project-Specific Review Criteria: Construction, Renovation, Expansion, and Replacement of Health Care Institutions**

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

Not applicable; no beds, services or major medical equipment are being added to the applicant's licensed organization. The CT purchase for this project is a replacement.

2. For relocation or replacement of an existing licensed healthcare institution:

- a. The applicant should provide plans, which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

Not applicable. This project is a replacement project and not a relocation project.

The applicant is presenting the detailed justification for this ED replacement and expansion project in Section C #3 below. Both a. and b. above are responded to in the narrative and exhibits beginning below.

- b. The applicant should demonstrate that there is acceptable existing and projected future demand for the proposed project.

The applicant is presenting the detailed justification for this ED replacement and expansion project in Section C #3 below. Both a. and b. above are responded to in the narrative and exhibits beginning below.

3. For renovation or expansions of an existing licensed healthcare institution:

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

The applicant is presenting the detailed justification for this ED replacement and expansion project in this section of the application. Both a. and b. above are responded to in the narrative and exhibits beginning below.

## DEMAND FOR THE PROJECT

Methodist Healthcare, centered in Memphis, Tennessee, is one of Tennessee's largest healthcare providers, serving populations of diverse socio-economic characteristics across the five-county service area spanning West Tennessee, North Mississippi, and East Arkansas. Methodist Healthcare's primary acute care organization is the applicant for this CON: Methodist Healthcare-Memphis Hospitals, a not-for-profit corporation that owns and operates five Shelby County hospitals. Its five hospitals are operated under a single general hospital license. The largest of the facilities, Methodist University Hospital, is the focus of this application.

As the system's tertiary academic medical center, Methodist University Hospital, located in the downtown medical center, is well positioned to serve all five counties in the service area: Shelby, Tipton and Fayette Counties in Tennessee, Crittenden County, Arkansas and DeSoto County, Mississippi. Methodist University is committed to education and advancements in clinical care and as such is a vital organization within the medical district. Memphis City leaders understand that the medical center is an important asset and key element to the city's identity, and as a result many resources have been invested into revitalizing the area; it has been rebranded as the Memphis Medical Center. The district employs more than 40,000 people and is being repositioned as a world leader in biotechnology.

Methodist remained committed to the inner city and mission markets even as competitors and other healthcare resources followed the population shift to the east. With this project, Methodist plans to reinvest over \$33 million dollars in this market taking emergency services to the next level in tertiary academic medicine. The ED is a certified by the Joint Commission as a Stroke Center and Acute Myocardial Infarction (AMI) Center, and is pursuing certification from the Society for Chest Pain Centers for Cycle IV Accreditation. Referrals for these high-end services have grown over the last several years. Methodist University proposes to replace and reposition the ED on the hospital campus with plans to expand existing services to a state-of-the-art facility.

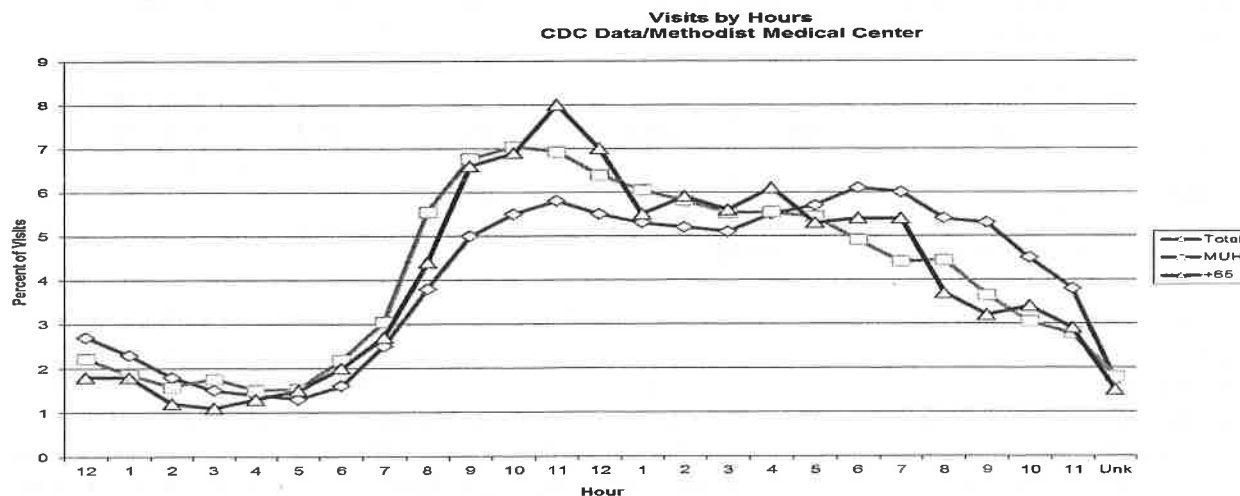
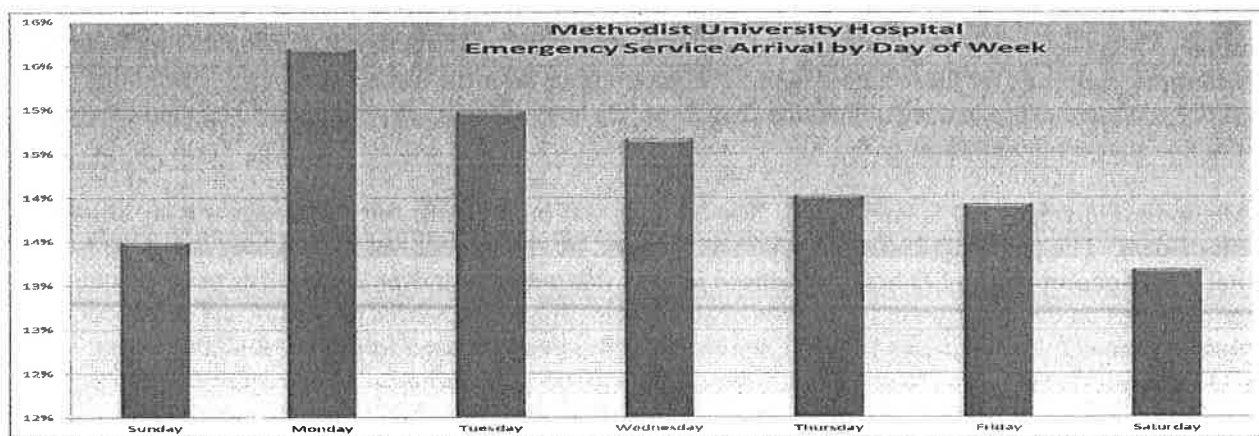
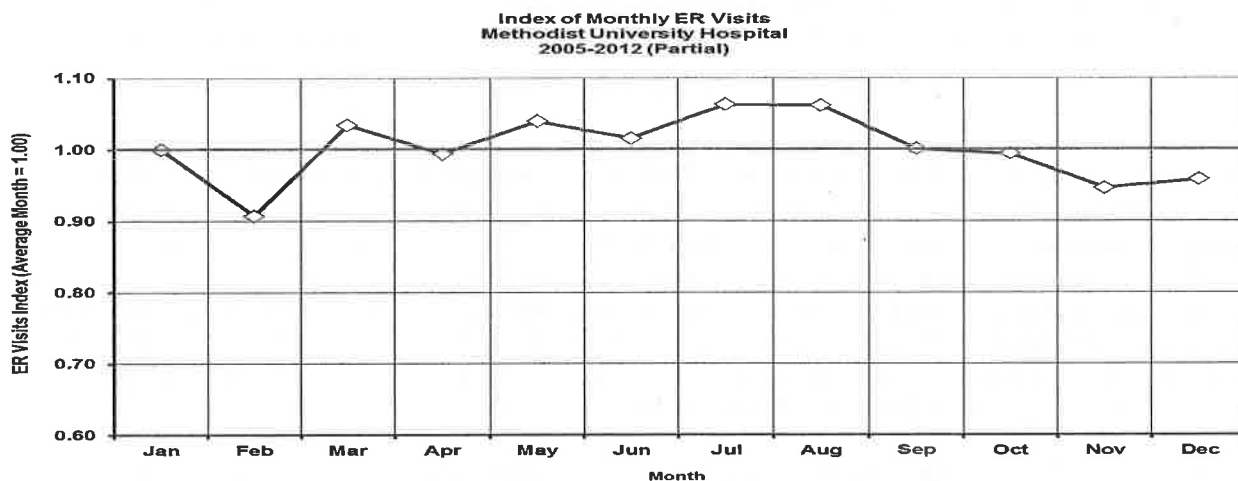
The Methodist University ED is landlocked. The building was built almost forty years ago – it is antiquated and out-of-date. The physical plant alone warrants the need for the project, yet the building is not the hospital's only concern. The ED has experienced intense volume growth over the last five years placing greater demands on the department for improved efficiencies, higher standards of quality and satisfaction, and increased need to treat patients faster. Emergency visits have increased from almost 47,000 visits (2007) to almost 57,000 visits (2011), and the trends are expected to continue. As emergency volumes increased over the years, Methodist University made modifications to the ED to increase space and functionality for the department. Clinicians adapted and adjusted patient care processes keeping the patient and their family the highest priority. Yet, space has been utilized to its fullest extent and there continue to be challenges. The ED is saturated. The best alternative is to build a new facility to accommodate current volumes and projected growth for optimal service.

|        | 2007   | 2008   | 2009   | 2010   | 2011   | Growth<br>2007-11 |
|--------|--------|--------|--------|--------|--------|-------------------|
| Visits | 46,576 | 50,596 | 51,205 | 54,765 | 56,725 | 10,149<br>22%     |

Source: Joint Annual Report 2007 – 2011 ED Visits

Methodist consulted with experts in ED programming and planning to analyze the current volumes and wait times in order to develop design plans for the proposed ED. Standard planning techniques base capacity planning on peak demand also building in flexibility to close treatment areas during low census. As noted in the following charts, the Methodist University ED follows typical national trends with visits in the summer months above the norm, with Monday as the busiest day of the week and with the peak arrival time at mid morning. The analysis of median wait times verifies unacceptable delays over 70 minutes caused by capacity issues. The assessments of peak volumes, growth trends and wait times conclude the need

additional treatment spaces, yet there is no more space in the department to do so. At times, Methodist University uses hallway beds, areas taped off in the hall, to resolve capacity issues. While this practice provides little patient privacy and creates dissatisfaction at all levels, these areas are required as treatment spaces and the use of them is increasing.

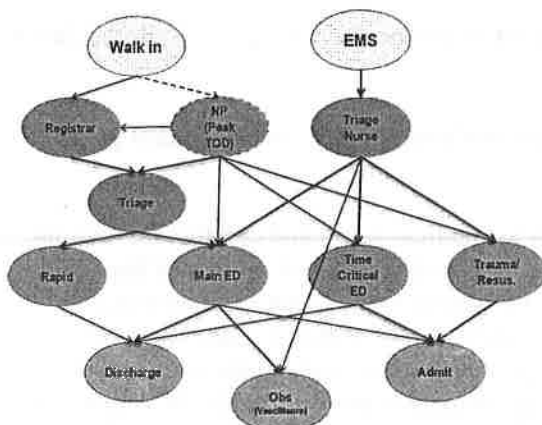


Additionally, the increased levels of visits have exacerbated several issues in the current ED which cause inefficient workflow and unacceptable turnaround times. Space is constrained, visibility is limited with disconnected work areas and design does not provide good pathways for all types of patients - high versus low acuity patients. Patient safety and quality are central areas of focus for Methodist. Challenges with patient flow must be eliminated to ensure the highest quality of care.

For the high acuity patients, such as those referred for the stroke and AMI programs, there is insufficient space and room configuration flexibility for treatment protocols. The hospital treats a very high number of level one (emergent) and two (semi-emergent) patients with almost 40% of total ED visits classified at these high acuity levels. As compared to the other adult facilities in the Methodist system, the University hospital has at least two to three times those in the other ED's. Since Methodist University is the back up for the Regional Medical Center when they are on diversion, it is imperative adequate space is available.

The hospital also has high numbers of lower acuity patients with 60% of total ED visits classified as level three and four. Current work flow and basic facility design delay patient's access to the appropriate work zone and level of care. These barriers create challenges and dissatisfaction for patients, families, physicians and Associates. The proposed intake area and larger RME area will streamline the process and provide adequate space for lower acuity patients. The more efficient flow in the proposed facility has fewer touch points, facilitates improved communication and consolidates work zones for more efficient and effect care for all acuity levels.

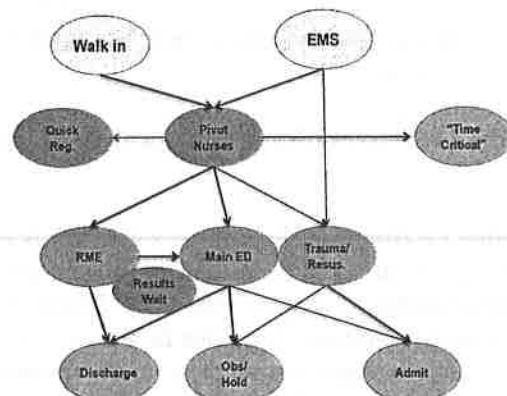
Basic Flow Models - Today



Methodist University Hospital - Emergency Department Project

brg:as: 10/1/2010

Basic Flow Models - One Future Option



Methodist University Hospital - Emergency Department Project

brg:as: 10/1/2010

In addition to the need for more space in the ED, there is also a need to reposition and expand the ambulance bays. The ambulance bays no longer accommodate the increased number of ambulances and patients seeking treatment at Methodist University. This adversely impacts paramedics and the return of ambulances to service. At peak times, there are over fifteen ambulances in the area at one time. The lack of parking space forces them to stack up on Eastmoreland Avenue, a public street, exposing patients to the elements (heat, cold, rain, snow). Methodist needs to eliminate the congestion and delays in offloading patients in order for paramedics to timely return to serving the community.

In general access to the Methodist University ED is less than optimal. The ED is not at the street level so all patients whether arriving by ambulance or car are either wheeled up the sloping driveway on a stretcher or walk up steps or the ramp at the ED entrance. The proposed project will position the ED at street level and has a much improved large, covered parking area on the lower level designed exclusively for ambulances.

The lower level space designated for ambulance bays can be converted to a mass decontamination area which improves Methodist resources for disaster planning in the event of an unplanned catastrophe. The observation beds in the main ED are also enhancements to disaster planning. The beds are positioned towards the end of the main ED and are adjacent to the elevators to the ambulance bays. The placement of the beds creates an area that can easily be sealed off for decontamination if needed.

Methodist remains committed to the patients and families in the downtown area and plan to make this investment to provide accessible, efficient and high quality emergency with the new a state-of-the-art facility.

**b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.**

The Methodist University ED is landlocked. The building was built almost forty years ago – it is antiquated and out-of-date. The physical plant alone warrants the need for the project. As emergency volumes increased over the years, Methodist University made modifications to the ED to increase space and functionality for the department. Clinicians adapted and adjusted patient care processes keeping the patient and their family the highest priority. Yet, space has been utilized to its fullest extent and there continue to be challenges. The ED is saturated. The best alternative is to build a new facility to accommodate current volumes and projected growth for optimal service.

**b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)**

Not applicable. This project is a replacement project within the hospital campus and not a change of site project.

**2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.**

Methodist Le Bonheur Healthcare's mission is to partner with its medical staffs and collaborate with its patients and families to be the leader in high quality, cost effective healthcare in all sectors of the Greater Memphis-Shelby County service area. Methodist Healthcare has strategically placed and maintained hospital and ambulatory facilities in all quadrants of Shelby County as part of that mission, to provide multiple entry points to acute care for communities of varied social and economic characteristics. Methodist University Hospital is the system's tertiary academic medical center located in the center of the service area in downtown Memphis. The project is a reinvest in the Memphis Medical Center.

Methodist Healthcare has also invested in our partnerships with private and academic physicians. Evidence of this is our affiliation with the University of Tennessee Health Science Center (UTHSC). The system's goals are to leverage the partnership with UTHSC to improve the health of the overall community and raise the level of medical practice for adults and pediatrics.

The ED is a certified by the Joint Commission as a Stroke Center and Acute Myocardial Infarction (AMI) Center, and is pursuing certification from the Society for Chest Pain Centers for Cycle IV Accreditation. Referrals and affiliations for these high-end services have grown over the last several years. Methodist University proposes to replace and reposition the ED on the hospital campus with plans to expand existing services to a state-of-the-art ED.

The approval and completion of the project is key to the fulfillment of the system's long-term financial and strategic commitments to its service area.



3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

The project service area includes Shelby, Fayette and Tipton counties in Tennessee, DeSoto County in Mississippi, and Crittenden County in Arkansas. See Attachment Section C: Need (3) for a county level service area map. This service area is deemed reasonable.

4. A. Describe the demographics of the population to be served by this proposal.

The project service area includes Shelby, Fayette, and Tipton Counties in Tennessee, DeSoto County in Mississippi, and Crittenden County in Arkansas. The population of the service area is projected to approach 1.3 million people by 2017 which is a growth rate of 3% (over 42,000 people) over the next five years.

**METHODIST HEALTHCARE-MEMPHIS HOSPITALS  
PROJECT SERVICE AREA  
2011 – 2016 POPULATION PROJECTIONS, BY COUNTY**

| Demographic Variable/Geographic Area                  | Shelby County | Fayette County | Tipton County | DeSoto County | Crittenden County | Service Area Total | State of TN Total |
|-------------------------------------------------------|---------------|----------------|---------------|---------------|-------------------|--------------------|-------------------|
| Total Population-2012                                 | 931,230       | 39,729         | 62,360        | 169,836       | 51,163            | 1,254,318          | 6,439,884         |
| Total Population-2017                                 | 941,813       | 43,344         | 65,908        | 193,326       | 51,936            | 1,296,327          | 6,701,303         |
| Total Population-% change                             | 1%            | 9%             | 6%            | 14%           | 2%                | 3%                 | 4%                |
| Age 65+ Population-2012                               | 94,613        | 5,353          | 6,969         | 16,949        | 5,408             | 129,292            | 857,638           |
| Age 65+ Population-2017                               | 109,551       | 6,882          | 8,495         | 22,538        | 6,189             | 153,655            | 1,009,537         |
| Age 65+ Population-% change                           | 16%           | 29%            | 22%           | 33%           | 14%               | 19%                | 18%               |
| Age 65+ Population as % of Total – 2012               | 10%           | 13%            | 11%           | 10%           | 11%               | 10%                | 13%               |
| Median Household Income (2009)                        | \$43,625      | \$49,071       | \$48,894      | \$55,557      | \$33,904          | \$46,210           | \$36,942          |
| TennCare Enrollees                                    | 229,641       | 5,646          | 11,468        | --            | --                | 246,755            | 1,206,538         |
| TennCare Enrollees as % of Total Pop. (2011)          | 25%           | 14%            | 19%           | --            | --                | 24%                | 19%               |
| Persons Below Poverty Level (2009)                    | 185,976       | 4,872          | 8,157         | 16,739        | 15,217            | 230,961            | 1,102,643         |
| Persons Below Poverty Level as % of Total Pop. (2009) | 20%           | 12%            | 13%           | 10%           | 29%               | 18%                | 17%               |

Source: Market Expert – Claritas Data 2012-2017, U.S. Census Bureau Poverty Estimates 2011 and TennCare Enrollment Data March 2012

Shelby County represents almost 75% of the 5-County service area.

Over the next five years, there will be a dramatic increase in the area of residents aged 65 years and older. It is particularly significant that during this period, the area population aged 65 years and older--the group that most needs healthcare--will increase 19% or almost 25,000.

**B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.**

The special needs of the service area population significantly contribute to the projected volumes and planning for the project. The business plan takes into consideration the aging of the population, the large number/disparate mix of TennCare enrollees and the predominance of poor lifestyle throughout the service area.

Shelby County is one of the least healthy communities in the country, yet, one with significant health assets, providers and academic partners all well aligned with the MLH mission and vision. As a faith-based healthcare provider with an obligation to meet the community's healthcare needs, Methodist Healthcare views the tremendous needs in the community as opportunities.

As shown above, the population in the service area is projected to age with the baby boom generation with 18% growth in the Methodist service area projected for the next five years. The older age cohorts already account for 60% of the health care expenditures. Within this age group, chronic illness is prevalent. Such chronic medical conditions include heart disease, stroke, hypertension, diabetes, and cancer which all potentially require more intensive use of healthcare resources. Methodist University is well positioned to treat these community needs with certifications in Stroke and AMI and pursuing additional certification as a Chest Pain Center, yet has plans with this project to expand and advance these high-end services to reach more of the community in need.

The population identified by the project's service area is plagued by a predominance of disease and health risk factors.

- Tennessee has one of the highest heart disease mortality rates in the United States. Incidence of heart disease mortality is dramatically higher in the mid-south than in other regions. Death rates from heart disease (rate per 100,000 35+ 2007-2009 per CDC) in the Methodist service area is higher than state and national average with Tipton rates at 484.5, Fayette at 458.0 and Shelby at 450.0 as compared to Tennessee at 422.4 and the Nation at 359.1.
- There are similarly high mortality rates in stroke. Death rates from stroke (rate per 100,000 35+ 2007-2009 per CDC) in the Methodist service area is higher than state and national average with Tipton rates at 105.4, Fayette at 101.2 and Shelby even higher at 112.9 as compared to Tennessee at 98.9 and the Nation at 78.6.
- Based on recent data from the Center for Disease Control and Prevention (based on self reported prevalence by State), the South has the highest prevalence of obesity (29.5%), followed by the Midwest (29.0%), the Northeast (25.3%) and the West (24.3%). Obesity-related conditions include heart disease, stroke, 2 diabetes and certain types of cancer. From Methodist's tri-state service area, Mississippi ranks highest in the nation at 34.9%, Arkansas is in the top 10 at 30.9% and Tennessee is no longer in the top 10 at 29.2%. A dated report entitled "F as in Fat: How Obesity Threatens America's Future 2010" rated Tennessee as the 2<sup>nd</sup> highest state in the country in obesity (under different methodology. Under these criteria, the Memphis TN-AR-MS Metropolitan Statistical Area had an obesity rate of 35.8% as compared to the Tennessee rate of 31.7% and National median rate of 27.5%. These trends will continue with the growing numbers of people who do not get regular physical activity.

Shelby County claims the largest population of all 95 Tennessee counties with over 900,000 residents; with that Shelby County also has the largest TennCare population. The number of enrollees is twice that of any other county in the state; one out of every four people (25%) in the county is enrolled in TennCare. Methodist is committed providing healthcare services to these patients as reflected in the projections for this proposal.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

**METHODIST TENNESSEE SERVICE AREA  
EMERGENCY DEPARTMENT VISITS, 2009-2011**

| Facility                                 | 2009   | 2010   | 2011   |
|------------------------------------------|--------|--------|--------|
| Methodist South Hospital                 | 54,674 | 55,522 | 59,346 |
| Methodist North Hospital                 | 45,670 | 53,336 | 59,726 |
| Methodist Le Bonheur Germantown Hospital | 43,512 | 43,757 | 48,109 |
| Le Bonheur Children's Hospital           | 69,004 | 44,017 | 48,128 |
| Methodist Fayette Hospital               | 8,142  | 7,728  | 7,631  |
| Regional Medical Center                  | 55,591 | 47,669 | 45,189 |
| Baptist Memorial Hospital-Memphis        | 56,966 | 56,862 | 56,862 |
| Baptist Memorial Hospital-Collierville   | 15,880 | 16,104 | 16,602 |
| Baptist Memorial Hospital – Tipton       | 21,828 | 20,914 | 21,521 |
| St. Francis-Park                         | 37,014 | 37,223 | 39,853 |
| St. Francis-Bartlett                     | 28,439 | 29,666 | 31,353 |
| Delta Medical Center                     | 19,070 | 20,629 | 24,350 |

No approved yet unimplemented CONs exist for ED services in the Service Area.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

**Methodist University Hospital  
Actual and Projected ED Visits  
2009 - 2016**

|                               | <b>Actual<br/>2009</b> | <b>Actual<br/>2010</b> | <b>Actual<br/>2011</b> | <b>Projected<br/>Actual<br/>2012</b> | <b>Projected<br/>Actual<br/>2012</b> | <b>Projected<br/>Actual<br/>2012</b> | <b>Projected<br/>Year 1<br/>2015</b> | <b>Projected<br/>Year 2<br/>2016</b> |
|-------------------------------|------------------------|------------------------|------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Methodist University Hospital | 51,205                 | 54,765                 | 56,725                 | 60,083                               | 61,585                               | 63,125                               | 64,702                               | 66,320                               |
| Annual Growth Rate            |                        | 7.0%                   | 3.6%                   | 5.9%                                 | 2.5%                                 | 2.5%                                 | 2.5%                                 | 2.5%                                 |

**Methodology Assumptions:**

- Methodist analyzed historical growth trends noting an average annual growth rate of 4.3% over the last 4 years with growth as much as 6% and 7% in some years.
- Methodist's forecasting resource (Sg2 Impact of Change) projects an average annual growth rate of 2% for ED visits in the Southern region. This is a regional projection and not based on the health status and ED utilization in the Memphis market.
- Given the availability of hospital specific data as well as Methodist's knowledge of the local ED utilization, projected volumes are conservatively estimated to grow by 2.5% through the first two years of the project.

## ECONOMIC FEASIBILITY

2012 AUG 15 AM 10 11

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)

The CON filing fee calculated from Line D of the Project Costs Chart is \$45,000; therefore a check for this amount accompanies the application.

- The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.

Not Applicable.

- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

| Equipment                       | Costs        |
|---------------------------------|--------------|
| CT Equipment                    | \$ 774,234   |
| Maintenance Agreement (4 years) | \$ 309,364   |
| Total Equipment Costs           | \$ 1,083,928 |

- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs

A letter from the architect follows as Attachment C: Economic Feasibility (1)(d).

## PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:

2012 AUG 15 AM 10 11

|    |                                                                      |             |
|----|----------------------------------------------------------------------|-------------|
| 1. | Architectural and Engineering Fees                                   | \$1,878,441 |
| 2. | Legal, Administrative (Excluding CON Filing Fee),<br>Consultant Fees | 80,000      |
| 3. | Acquisition of Site                                                  | -           |
| 4. | Preparation of Site                                                  | 5,026,250   |
| 5. | Construction Costs                                                   | 20,019,635  |
| 6. | Contingency Fund                                                     | 2,753,231   |
| 7. | Fixed Equipment (Not included in Construction Contract)              | 1,083,928   |
| 8. | Moveable Equipment (List all equipment over \$50,000)                | 1,402,500   |
| 9. | Other (Specify) Relocate Doctors & West Occupants                    | 1,200,000   |

B. Acquisition by gift, donation, or lease:

|    |                                           |  |
|----|-------------------------------------------|--|
| 1. | Facility (inclusive of building and land) |  |
| 2. | Building only                             |  |
| 3. | Land only                                 |  |
| 4. | Equipment (Specify) _____                 |  |
| 5. | Other (Specify) _____                     |  |

C. Financing Costs and Fees:

|    |                                     |  |
|----|-------------------------------------|--|
| 1. | Interim Financing                   |  |
| 2. | Underwriting Costs                  |  |
| 3. | Reserve for One Year's Debt Service |  |
| 4. | Other (Specify) _____               |  |

D. Estimated Project Cost (A+B+C) 33,443,985

E. CON Filing Fee 45,000

F. Total Estimated Project Cost (D+E) TOTAL 33,488,985

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed.  
(Documentation for the type of funding **MUST** be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

|   |                                                                                                                                                                                                                                |
|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   | A. Commercial loan—Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;            |
|   | B. Tax-exempt bonds—Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance; |
|   | C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.                                                                                                                 |
|   | D. Grants--Notification of intent form for grant application or notice of grant award; or                                                                                                                                      |
| X | E. Cash Reserves--Appropriate documentation from Chief Financial Officer.                                                                                                                                                      |
|   | F. Other—Identify and document funding from all other sources.                                                                                                                                                                 |
|   | Methodist Healthcare is prepared to fund the project cost with cash reserves. See the attached letter from the Chief Financial Officer. Attachment C: Economic Feasibility (2)                                                 |

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Total construction costs including construction contingency are \$27,550,474 (or \$277.93 PSF). The costs of the project are reasonable and comparable to similar renovations done throughout Methodist Healthcare over the last few years and on recently approved CON's. See the cost per square foot comparison below.

| CON Name                                                                    | Date Filed | Cost per Square Foot |
|-----------------------------------------------------------------------------|------------|----------------------|
| Methodist University Hospital<br>PET Relocation                             | Nov-11     | \$ 244.11            |
| Baptist Memorial Tipton Hospital<br>Establish Cancer Center                 | May-11     | \$ 294.43            |
| Le Bonheur Children's Medical Center<br>Renovation & NICU Expansion         | Sep-08     | \$ 225.00            |
| St. Francis Hospital – Park<br>Expansion of ED                              | June-06    | \$ 225.00            |
| Baptist Memorial Memphis Hospital<br>Expansion of ED and Acquisition of MRI | Nov-07     | \$ 212.93            |

4. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Following this page are the Historic Data Chart for Methodist Healthcare-Memphis Hospitals, and a Projected Data Chart for Methodist University Hospital.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

The average gross charge and deduction amounts below are calculated using a mixture of the patients treated in the ED that are admitted as inpatients and that are discharged from the ED.

| ED Visits            |    |        |
|----------------------|----|--------|
| Average Gross Charge | \$ | 12,438 |
| Average Deduction    |    | 9,633  |
| Average Net Charge   | \$ | 2,805  |



## HISTORICAL DATA CHART

### Methodist Healthcare-University Hospital

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

|                                                             | Year <u>2009</u>           | Year <u>2010</u>           | Year <u>2011</u>           |
|-------------------------------------------------------------|----------------------------|----------------------------|----------------------------|
| A. Utilization Data (Specify unit of measure)               |                            |                            |                            |
| Patient Days                                                | <u>129,612</u>             | <u>130,534</u>             | <u>130,331</u>             |
| B. Revenue from Services to Patients                        |                            | (in thousands)             |                            |
| 1. Inpatient Services                                       | \$ <u>855,365</u>          | \$ <u>912,374</u>          | \$ <u>943,225</u>          |
| 2. Outpatient Services                                      | <u>387,563</u>             | <u>447,269</u>             | <u>499,306</u>             |
| 3. Emergency Services                                       |                            |                            |                            |
| 4. Other Operating Revenue <u>Retail Drug &amp; Rebates</u> | <u>4,811</u>               | <u>6,207</u>               | <u>7,091</u>               |
| <b>Gross Operating Revenue</b>                              | <b>\$ <u>1,247,739</u></b> | <b>\$ <u>1,365,850</u></b> | <b>\$ <u>1,449,622</u></b> |
| C. Deductions from Gross Operating Revenue                  |                            |                            |                            |
| 1. Contractual Adjustments                                  | \$ <u>763,298</u>          | \$ <u>827,861</u>          | \$ <u>876,848</u>          |
| 2. Provision for Charity Care                               | <u>116,847</u>             | <u>147,695</u>             | <u>157,204</u>             |
| 3. Provisions for Bad Debt                                  | <u>31,476</u>              | <u>34,426</u>              | <u>43,746</u>              |
| <b>Total Deductions</b>                                     | <b>\$ <u>911,621</u></b>   | <b>\$ <u>1,009,982</u></b> | <b>\$ <u>1,077,798</u></b> |
| <b>NET OPERATING REVENUE</b>                                | <b>\$ <u>336,118</u></b>   | <b><u>355,868</u></b>      | <b><u>371,824</u></b>      |
| Operating Expenses                                          |                            |                            |                            |
| 1. Salaries and Wages                                       | \$ <u>118,081</u>          | \$ <u>121,844</u>          | \$ <u>125,316</u>          |
| 2. Physician's Salaries and Wages                           | <u>1,595</u>               | <u>2,534</u>               | <u>2,116</u>               |
| 3. Supplies                                                 | <u>93,946</u>              | <u>98,781</u>              | <u>103,070</u>             |
| 4. Taxes                                                    | <u>522</u>                 | <u>355</u>                 | <u>429</u>                 |
| 5. Depreciation                                             | <u>16,409</u>              | <u>15,979</u>              | <u>15,215</u>              |
| 6. Rent                                                     | <u>1,448</u>               | <u>871</u>                 | <u>989</u>                 |
| 7. Interest, other than Capital                             | <u>-</u>                   | <u>-</u>                   | <u>-</u>                   |
| 8. Management Fees      a) Fees to Affiliates               | <u>33,266</u>              | <u>32,466</u>              | <u>34,367</u>              |
| b) Fees to Non-Affiliates                                   | <u>-</u>                   | <u>-</u>                   | <u>-</u>                   |
| 9. Other Expenses <u>Benefits &amp; Other Support</u>       | <u>76,827</u>              | <u>81,910</u>              | <u>89,046</u>              |
| <b>Total Operating Expenses</b>                             | <b>\$ <u>342,094</u></b>   | <b>\$ <u>354,740</u></b>   | <b>\$ <u>370,548</u></b>   |
| E. Other Revenue (Expenses) – Net                           | \$ <u>2,199</u>            | \$ <u>6,916</u>            | \$ <u>7,897</u>            |
| <b>NET OPERATING INCOME (LOSS)</b>                          | <b>\$ <u>(3,777)</u></b>   | <b><u>8,044</u></b>        | <b><u>9,173</u></b>        |
| F. Capital Expenditures                                     |                            |                            |                            |
| 1. Retirement of Principal                                  | \$ <u>-</u>                | \$ <u>-</u>                | \$ <u>-</u>                |
| 2. Interest                                                 | <u>3,149</u>               | <u>2,975</u>               | <u>3,551</u>               |
| <b>Total Capital Expenditures</b>                           | <b>\$ <u>3,149</u></b>     | <b>\$ <u>2,975</u></b>     | <b>\$ <u>3,551</u></b>     |
| <b>NET OPERATING INCOME (LOSS)</b>                          |                            |                            |                            |
| <b>LESS CAPITAL EXPENDITURES</b>                            | <b>\$ <u>(6,926)</u></b>   | <b><u>5,069</u></b>        | <b><u>5,622</u></b>        |

## PROJECTED DATA CHART

Methodist University Hospital – ED Replacement Project OnlyIncludes Inpatient Admissions in Addition to Outpatients Treated and Released from ED

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

|                                                     | Year                       | 1                        | Year      | 2                        |
|-----------------------------------------------------|----------------------------|--------------------------|-----------|--------------------------|
| A. Utilization Data (visits)                        |                            | <u>64,702</u>            |           | <u>66,320</u>            |
| B. Revenue from Services to Patients (In Thousands) |                            | (in thousands)           |           |                          |
| 1. Inpatient Services                               | \$                         | <u>635,485</u>           | \$        | <u>651,377</u>           |
| 2. Outpatient Services                              |                            | <u>          </u>        |           | <u>          </u>        |
| 3. Emergency Services                               |                            | <u>169,326</u>           |           | <u>173,560</u>           |
| 4. Other Operating Revenue (Specify)                |                            | <u>          </u>        |           | <u>          </u>        |
| <b>Gross Operating Revenue</b>                      | <b>\$</b>                  | <b><u>804,811</u></b>    | <b>\$</b> | <b><u>824,937</u></b>    |
| C. Deductions from Gross Operating Revenue          |                            |                          |           |                          |
| 1. Contractual Adjustments                          | \$                         | <u>501,735</u>           | \$        | <u>514,282</u>           |
| 2. Provision for Charity Care                       |                            | <u>103,029</u>           |           | <u>105,606</u>           |
| 3. Provisions for Bad Debt                          |                            | <u>18,511</u>            |           | <u>18,974</u>            |
| <b>Total Deductions</b>                             | <b>\$</b>                  | <b><u>623,275</u></b>    | <b>\$</b> | <b><u>638,862</u></b>    |
| <b>NET OPERATING REVENUE</b>                        | <b>\$</b>                  | <b><u>181,536</u></b>    |           | <b><u>186,075</u></b>    |
| D. Operating Expenses                               |                            |                          |           |                          |
| 1. Salaries and Wages                               | \$                         | <u>60,416</u>            | \$        | <u>61,927</u>            |
| 2. Physician's Salaries and Wages                   |                            | <u>          </u>        |           | <u>          </u>        |
| 3. Supplies                                         |                            | <u>36,123</u>            |           | <u>37,026</u>            |
| 4. Taxes                                            |                            | <u>          </u>        |           | <u>          </u>        |
| 5. Depreciation                                     |                            | <u>9,327</u>             |           | <u>9,327</u>             |
| 6. Rent                                             |                            | <u>          </u>        |           | <u>          </u>        |
| 7. Interest, other than Capital                     |                            | <u>          </u>        |           | <u>          </u>        |
| 8. Management Fees                                  |                            | <u>24,168</u>            |           | <u>24,274</u>            |
|                                                     | a.) Fees to Affiliates     | <u>          </u>        |           | <u>          </u>        |
|                                                     | a.) Fees to Non-Affiliates | <u>-</u>                 |           | <u>-</u>                 |
| 8. Other Expenses                                   | (Benefits & Other Support) | <u>54,808</u>            |           | <u>55,082</u>            |
| <b>Total Operating Expenses</b>                     | <b>\$</b>                  | <b><u>184,842</u></b>    | <b>\$</b> | <b><u>187,636</u></b>    |
| E. Other Revenue (Expenses) -- Net (Specify)        | \$                         | <u>          </u>        | \$        | <u>          </u>        |
| <b>NET OPERATING INCOME (LOSS)</b>                  | <b>\$</b>                  | <b><u>(3,306)</u></b>    | <b>\$</b> | <b><u>(1,561)</u></b>    |
| F. Capital Expenditures                             |                            |                          |           |                          |
| 1. Retirement of Principal                          |                            | <u>          </u>        |           | <u>          </u>        |
| 2. Interest                                         |                            | <u>          </u>        |           | <u>          </u>        |
| <b>Total Capital Expenditures</b>                   | <b>\$</b>                  | <b><u>          </u></b> | <b>\$</b> | <b><u>          </u></b> |
| <b>NET OPERATING INCOME (LOSS)</b>                  |                            |                          |           |                          |
| <b>LESS CAPITAL EXPENDITURES</b>                    | <b>\$</b>                  | <b><u>(3,306)</u></b>    | <b>\$</b> | <b><u>(1,561)</u></b>    |

charges at facilities of similar approved scope, as documented in the previous section, demonstrate that the applicant will remain relatively cost-effective.

The most successful healthcare organizations must not only deliver high-quality care, but also do so with minimum waste. Cost controls are increasingly part of the quality conversation in healthcare, and the systematic identification and elimination of waste while maintaining or improving quality is imperative for future success. Methodist Le Bonheur Healthcare remains committed to providing sustainable, high-quality care. To do so going forward, we are compelled to focus on enhancing the entire experience of care for patients, while managing the costs of delivering that care.

**8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

The projections in this application show sustained losses in emergency services at Methodist University Hospital. The hospital experiences losses for these services currently, yet remains financially viable as seen in the historical data charts. Based on these projections, Methodist Healthcare will remain financially viable. The additional space and increased throughput will significantly improve efficiency for staff and physicians. Long term cost reductions and operating efficiencies will be realized by the improved patient flows, reduced wait times and enhanced communication. Staffing levels will eventually be trimmed down as Associates realize efficiencies in the new work environment.

**9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

Methodist University Hospital currently serves the Medicare, TennCare, and medically indigent populations. The estimated payer mix for 2015, the first full year of operation, is shown below.

| Payor             | Revenue<br>(In Thousands) | % of Total<br>Revenue |
|-------------------|---------------------------|-----------------------|
| Medicare          | \$ 398,315                | 49.5%                 |
| TennCare/Medicaid | \$ 129,089                | 16.0%                 |
| Self Pay          | \$ 116,713                | 14.5%                 |
| Commercial/Other  | \$ 160,694                | 20.0%                 |
| <b>Total</b>      | <b>\$ 804,811</b>         | <b>100.0%</b>         |

**10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Audited financials and cash are held at the corporate level, therefore, please see the attached most recent audited financials for Methodist Healthcare. Also, a balance sheet for the period ending July 2012 for Methodist Healthcare is included along with an income statement for Methodist Healthcare – Memphis Hospitals. See Attachment C: Economic Feasibility (10).

**11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**

- a. **A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**
- b. **The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

Response to a. and b. above:

Methodist Healthcare evaluated the health care services, community benefits, and cost effectiveness for replacing the existing ED Methodist University Hospital over the past year. Throughout the extensive research and business planning, the alternative to 'do nothing' was discussed. Yet, ignoring the inefficiencies, barriers to access and lack of space in the current ED is unacceptable.

Another alternative discussed and explored during planning was to renovate the existing ED space. The ED is essentially landlocked, bordered on two sides by Eastmoreland Avenue and Claybrook Street and bordered internally by the HIM and dietary departments. Both hospital departments are large and difficult to move. The HIM department is over 9,000 square feet. There is no available, viable space large enough to accommodate the departments on the hospital campus. More importantly, it was determined that renovations would not correct some of the patient flow issues with the building. The line of site issues with the hallways and turns/angles in the ED would continue. With that, communication would continue to be a barrier and turnaround times would be hampered with poor flow. Methodist did not recommend investing dollars in renovations that would not be a long term solution.

With the decision that new space was imperative to correct the flow issues, Methodist engaged architects to evaluate the best location. One of the alternate locations suggested was across the street – across Eastmoreland Avenue. This was not financially viable. An existing, functional parking garage would be demolished for this site to work and connections across the street added expense.

The most viable option is to construct a new facility for the ED as proposed in this application.

#### **CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE**

1. **List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

The Methodist Healthcare-Memphis Hospitals' license includes five hospitals-

Methodist University Hospital  
 Methodist South Hospital  
 Methodist North Hospital  
 Methodist Le Bonheur Germantown Hospital  
 Le Bonheur Children's Hospital

Additionally, Methodist Healthcare-Memphis Hospitals owns and operates Methodist Alliance Services, a comprehensive home care company, and a wide array of other ambulatory services such as urgent care centers and ambulatory surgery centers.

Methodist Healthcare is part of the University Medical Center Alliance which also includes the University of Tennessee and the Memphis Regional Medical Center (The Med). The goal of this council is to support the quality of care, patient safety and efficiency across all three institutions.

There are also agreements with the Mid-South Tissue Bank, the Mid-South Transplant Foundation, Duckworth Pathology and PhyAmerica. In addition, there is an agreement with Premier Purchasing Partners.

A list of managed care contracts is attached in Attachment C: Orderly Development (1).

- 2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

The proposed project will have a positive impact on the Shelby County health care community. The project does not propose to increase the applicant's market share. The project proposes to remedy patient flow and satisfaction issues with Methodist University patients, staff, and physician and paramedic partners.

The ED is a certified by the Joint Commission as a Stroke Center and Acute Myocardial Infarction (AMI) Center, and is pursuing certification from the Society for Chest Pain Centers for Cycle IV Accreditation. Referrals for these high-end services have grown over the last several years. Methodist University proposes to replace and reposition the ED on the hospital campus with plans to expand existing services to a state-of-the-art facility.

Additionally, Methodist University is the back up for the Regional Medical Center when they are on diversion, it is imperative adequate space is available to meet the expectations of the diverting facility, physicians, paramedics and patients.

- 3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

See table below for the FTE's by position and prevailing wage patterns in the service area.

All positions at Methodist are reviewed at least annually for market competitiveness. Tools for analysis for this review are comprised of several local and regional surveys, as well as several national surveys. Methodist strives to be competitive in pay and pay reported in the aforementioned surveys.

**METHODIST HEALTHCARE  
CURRENT PREVAILING WAGES AND  
ANTICIPATED CLINICAL STAFFING PATTERNS**

| Methodist Position Title                                                                                        | Methodist-<br>ED Department Only |                |                       | BLS 2011 Memphis MSA Data * |                |                            |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------|----------------|-----------------------|-----------------------------|----------------|----------------------------|
|                                                                                                                 | FTE' s<br>Yr 1                   | FTE' s<br>Yr 2 | Mid<br>Annual<br>2011 | Mean<br>Hourly              | Mean<br>Annual | BLS Occupation Title       |
| RNs                                                                                                             | 43.8                             | 43.8           | \$26.03               | \$31.71                     | \$65,950       | Registered Nurses          |
| Techs / Paramedics                                                                                              | 23.3                             | 23.3           | \$16.04               | \$18.04                     | \$37,530       | Emergency Medical Techs    |
|                                                                                                                 |                                  |                | \$17.67               | \$18.04                     | \$37,530       | Paramedics                 |
| Access Facilitators                                                                                             | 15.4                             | 15.4           | \$13.22               | \$14.614                    | \$30,380       | Healthcare Support Workers |
| Clerical/ Support                                                                                               | 13.1                             | 13.1           | \$16.04               | \$14.614                    | \$30,380       | Healthcare Support Workers |
| <b>Total</b>                                                                                                    | <b>95.6</b>                      | <b>95.6</b>    |                       |                             |                |                            |
| * Source: Bureau of Labor Statistics – May 2011 MSA Occupational Employment & Wage Estimates – Memphis TN/MS/AR |                                  |                |                       |                             |                |                            |

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

Recruitment of clinical professionals is challenging, but the hospital's addition of two FTEs will take place incrementally over the next few years. Methodist fortunately has the resources to successfully support these recruitment efforts.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

The applicant so verifies. Methodist University Hospital reviewed and meets all the State requirements for physician supervision, credentialing, admission privileges, and quality assurance policies and programs, utilization review policies and programs, record keeping and staff education.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (*e.g., internships, residencies, etc.*).

Methodist Healthcare has clinical affiliation agreements with multiple colleges including twenty-three for nursing, thirty for rehabilitation service professionals (physical therapy, speech therapy, and audiology), three for pharmacy, and nineteen for other allied health professionals including paramedics, laboratory, respiratory therapy, radiation therapy technicians. As a part of Methodist Healthcare, Methodist University Hospital offers an additional site for clinical training. There are approximately 1400 students annually participating in these programs at Methodist Healthcare.

As an academic medical center, Methodist University trains radiology residents as well as radiology and nuclear medicine students. Training on the PET equipment is an integral aspect of that program. Maintaining access and control of the equipment for the training programs is key to a full curriculum. See Attachment C: Orderly Development (6) for a list of affiliated colleges.

7. (a) **Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

Methodist University Hospital has reviewed these, and meets all applicable requirements of the Department of Health. Other departments are not involved with this facility.

- (b) **Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.**

**Licensure:**

The general hospital license held by Methodist Healthcare-Memphis Hospitals d/b/a Methodist University Hospital is from the Tennessee Department of Health, Board for Licensing Health Care Facilities.

**Accreditation:**

The accreditation agency for Methodist University Hospital is the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), from whom the hospital has full accreditation.

- (c) **If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.**

Methodist University Hospital is in good standing with the Department of Health, the Healthcare Facility Licensing Board, and JCAHO. (See Attachment C: Orderly Development (7)(c))

- (d) **For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.**

Documentation regarding deficiencies and approved plan of correction in our licensure is attached. See Attachment C: Orderly Development (7)(d)(1) and C: Orderly Development (7)(d)(2).

8. **Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

None

9. **Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.**

None

10. **If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

Should this application be approved, Methodist University Hospital will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

## PROOF OF PUBLICATION

**Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.**

The full page of the Commercial Appeal newspaper in which the Notice of Intent appeared is attached as Attachment C: Proof of Publication.

## DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. **Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

See the Project Completion Forecast Chart on the following page.

2. **If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the “good cause” for such an extension.**

Not Applicable. The applicant does not anticipate an extended schedule for this project.



## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in the Code of Tennessee, Title 1609(c): November 2012

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

| <u>Phase</u>                                                             | <u>DAYS<br/>REQUIRED</u> | <u>Anticipated Date<br/>(MONTH/YEAR)</u> |
|--------------------------------------------------------------------------|--------------------------|------------------------------------------|
| 1. Architectural and engineering contract signed                         | _____                    | <u>November 2012</u>                     |
| 2. Construction documents approved by the Tennessee Department of Health | _____                    | <u>April 2013</u>                        |
| 3. Construction contract signed                                          | _____                    | <u>November 2012</u>                     |
| 4. Building permit secured                                               | _____                    | <u>March 2013</u>                        |
| 5. Site preparation completed                                            | _____                    | <u>March 2013</u>                        |
| 6. Building construction commenced                                       | _____                    | <u>April 2013</u>                        |
| 7. Construction 40% complete                                             | _____                    | <u>August 2013</u>                       |
| 8. Construction 80% complete                                             | _____                    | <u>March 2014</u>                        |
| 9. Construction 100% complete (approved for occupancy)                   | _____                    | <u>September 2014</u>                    |
| 10. *Issuance of license                                                 | _____                    | <u>October 2014</u>                      |
| 11. *Initiation of service                                               | _____                    | <u>October 2014</u>                      |
| 12. Final Architectural Certification of Payment                         | _____                    | <u>November 2014</u>                     |
| 13. Final Project Report Form (HF0055)                                   | _____                    | <u>November 2014</u>                     |

\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

**Note:** If litigation occurs, the completion forecast will be adjusted at the time of the final

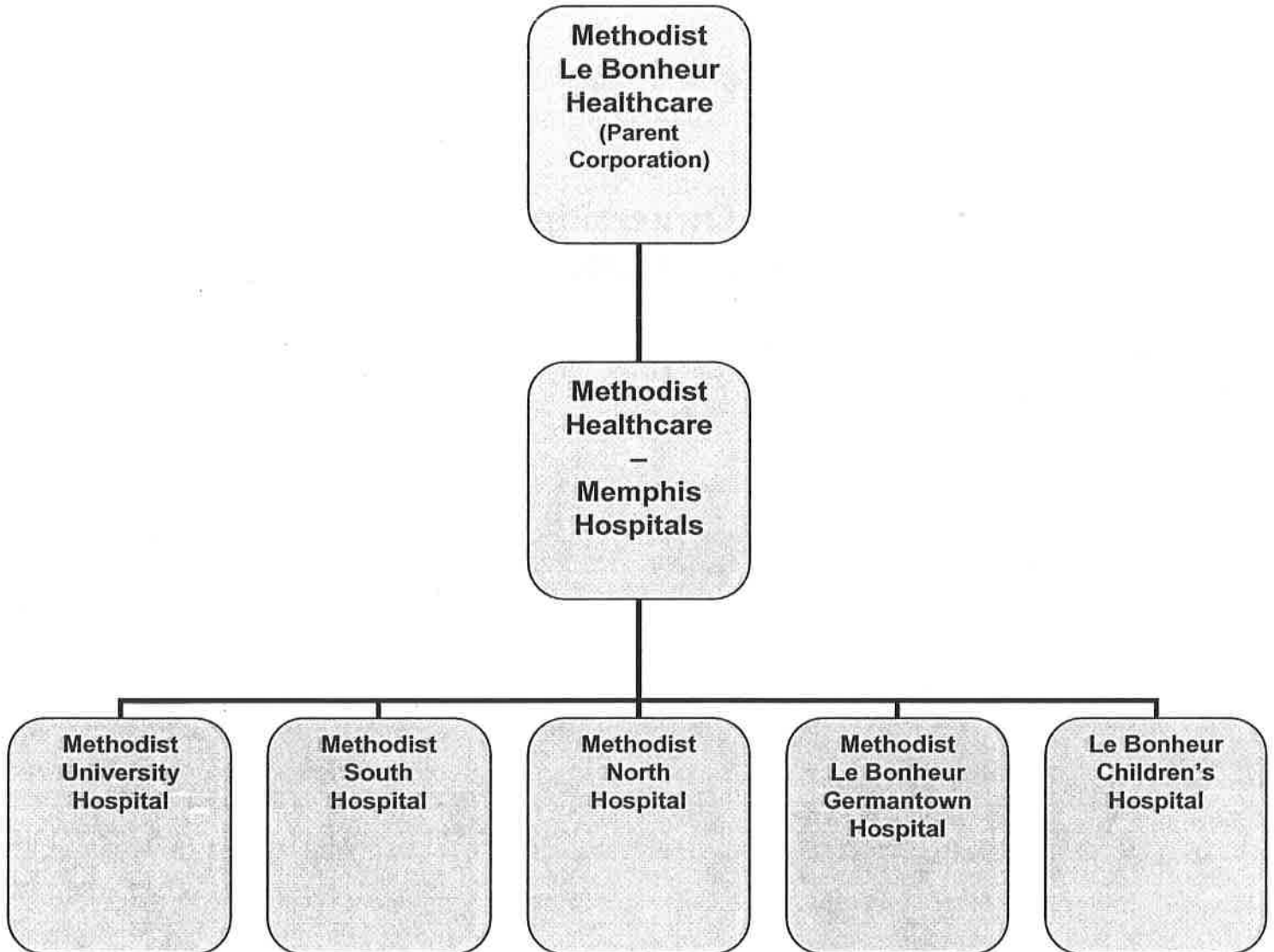
# **ATTACHMENTS**

## **INDEX OF ATTACHMENTS**

|                                  |                                                        |
|----------------------------------|--------------------------------------------------------|
| A:3                              | Corporate Charter and Certificate of Existence         |
| A:4                              | Ownership-Legal Entity and Organization Chart          |
| A:6                              | Site Control                                           |
| B:II (E)(3)                      | Vendor Quote                                           |
| B:III (A)                        | Plot Plan                                              |
| B:III (B)                        | Road Maps and Public Transportation Routes             |
| B:IV                             | Floor Plans                                            |
| C: Need (3)                      | Service Area Maps                                      |
| C: Need (4)(A)                   | Memphis Medical Center Map                             |
| C: Economic Feasibility (1)(d)   | Documentation of Construction Cost Estimate            |
| C: Economic Feasibility (2)      | Documentation of Availability of Funding               |
| C: Economic Feasibility (10)     | Financial Statements                                   |
| C: Orderly Development (1)       | List of Managed Care Contracts                         |
| C: Orderly Development (6)       | List of Clinical Affiliations                          |
| C: Orderly Development (7)(c)    | License from Board of Licensing Health Care Facilities |
| C: Orderly Development (7)(d)(1) | TDH Licensure Survey and Plan of Correction            |
| C: Orderly Development (7)(d)(2) | JCAHO Accreditation and Survey Summary                 |
| C: Proof of Publication          | Proof of Publication                                   |

## **A:4 Ownership- Legal Entity**

**METHODIST HEALTHCARE – MEMPHIS HOSPITALS  
OWNERSHIP STRUCTURE ORGANIZATIONAL CHART**



## **List of Methodist Health Care Facilities**

Methodist Healthcare owns or has financial interest in the following health care facilities:

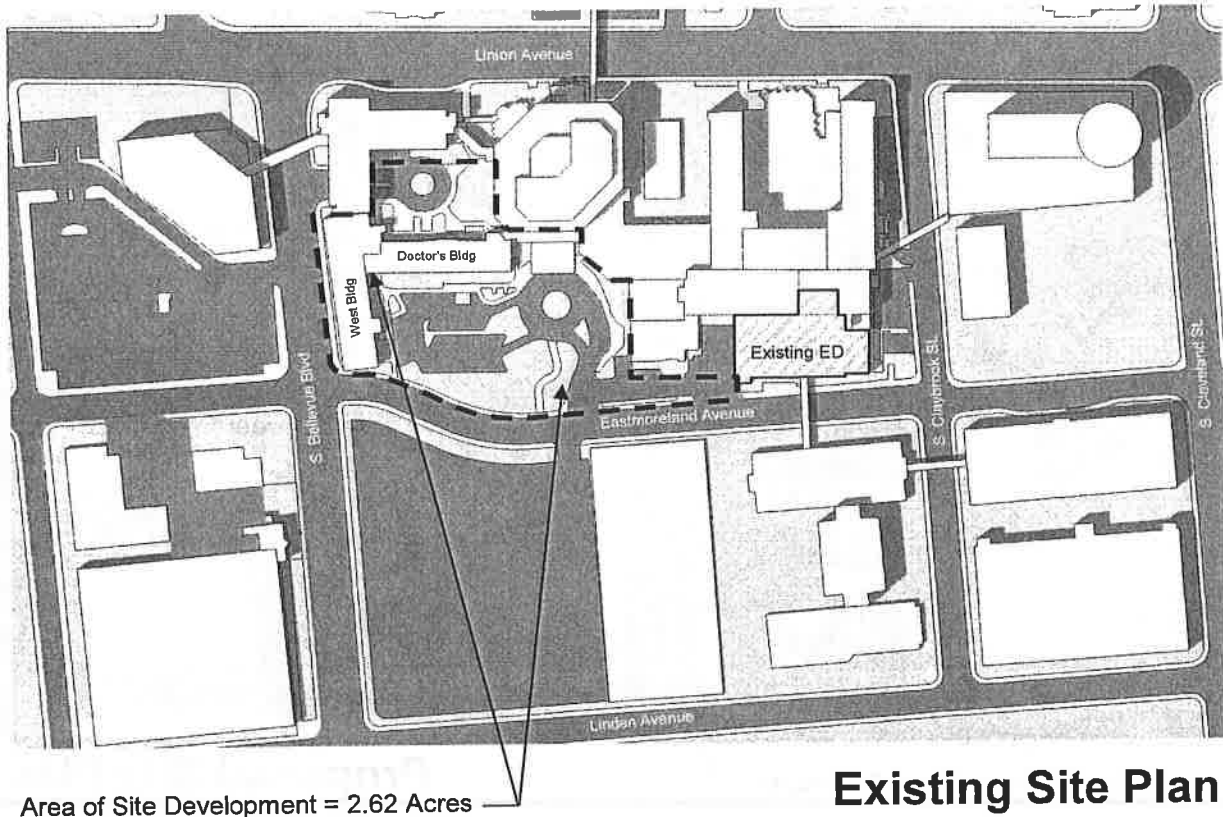
1. Methodist Healthcare – Memphis Hospitals hospital license – 100%, includes the following:

- Methodist Healthcare University Hospital – 100%
  - Methodist Healthcare South Hospital – 100%
  - Methodist Healthcare North Hospital – 100%
  - Methodist Healthcare Le Bonheur Germantown Hospital – 100%
  - Le Bonheur Children's Hospital – 100%
2. Methodist Healthcare – Memphis Hospitals, Skilled Nursing Unit – 100%
3. Methodist Extended Care Hospital, Inc. – 100%
4. Methodist Healthcare – Fayette Hospital – 100%
5. Le Bonheur Center for Children and Parents – 100%
6. Alliance Health Services, Inc. – 100%
7. Mid-South Radiation Oncology, LLC d/b/a Methodist Germantown Radiation Oncology Center – 100%
8. North Surgery Center, L.P. – 62.5% Gen. Par
9. Methodist Surgery Center Germantown, L.P. - 55% Gen. Par.
10. Midtown Surgery Center, L.P. – 32% Lim. Par.
11. Urology Ambulatory Surgery Center, LLC – 30%
12. Le Bonheur East Surgery Center, L.P. – 35% Gen. Par.
13. Blood and Marrow Transplant Center of the Mid-South, LLC – 30%
14. HealthSouth Rehabilitation Hospital, L.P. – 30% Limited Par.
15. HealthSouth Rehabilitation Hospital North – 30% Limited Par.
16. Hamilton Eye Institute Surgery Center, L.P. – 33.3%

### **B:III (A) Plot Plan**

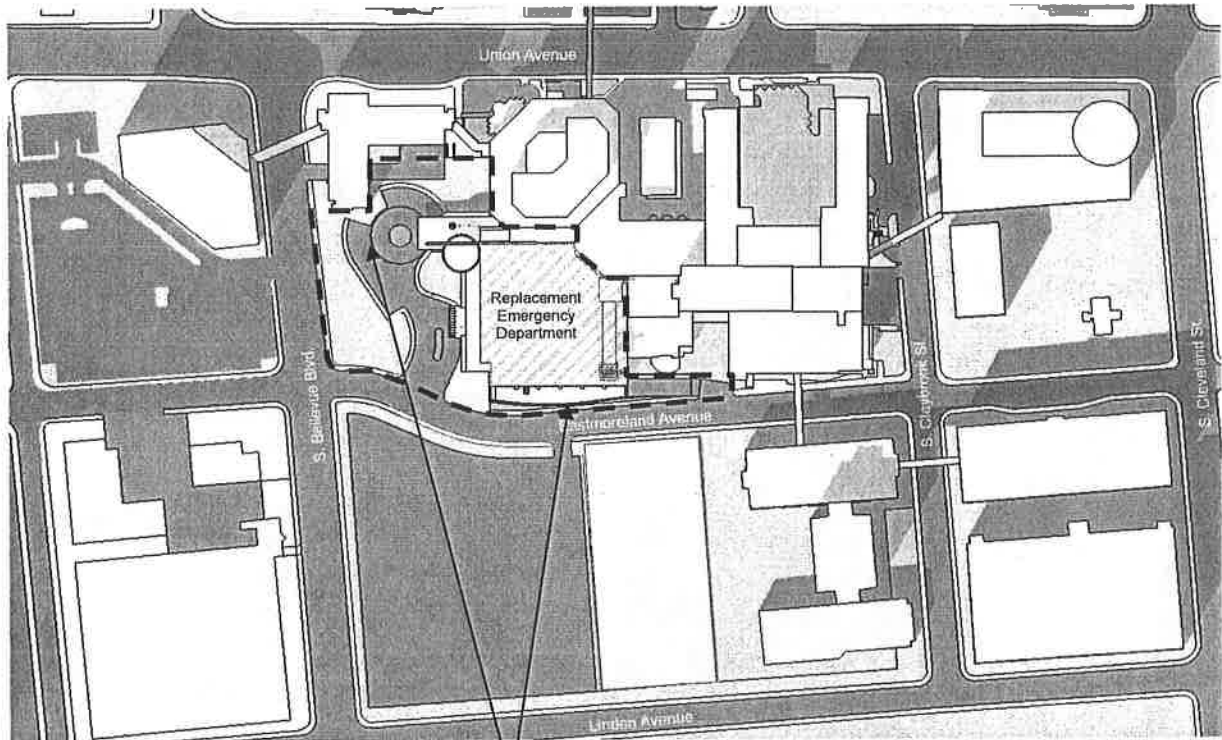
Methodist University Hospital  
Memphis, Tennessee

## Replacement Emergency Department Project



Methodist University Hospital  
Memphis, Tennessee

## Replacement Emergency Department Project



Area of Site Development = 2.62 Acres

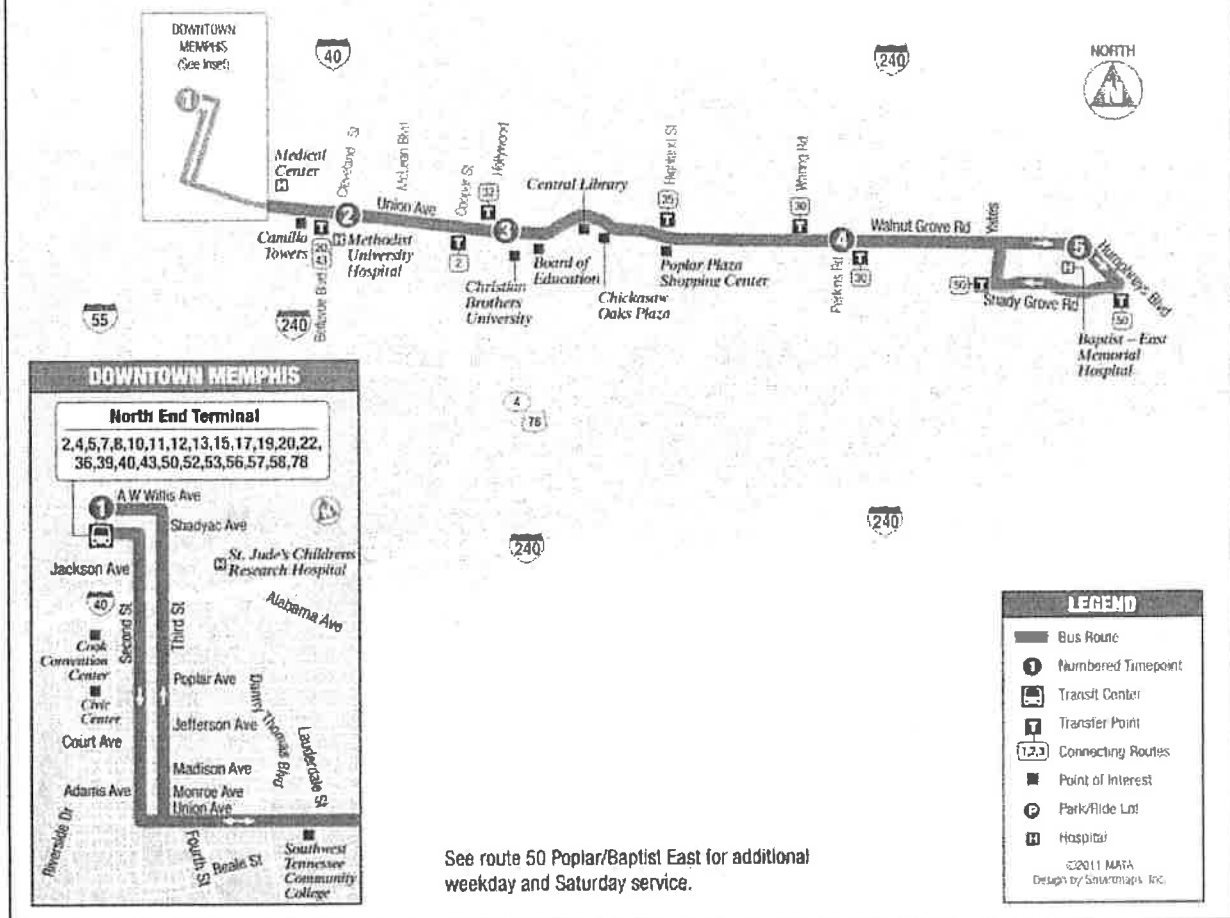
**Proposed Site Plan**



## **B:III (B) Public Transportation Route**

# Route 34

# Walnut Grove



See route 50 Poplar/Baptist East for additional  
weekday and Saturday service.

## MONDAY – FRIDAY • OUTBOUND FROM DOWNTOWN

|    | 1<br>North<br>End<br>Terminal | 2<br>Union Ave<br>at<br>Cleveland St | 3<br>Union Ave<br>at<br>Hollywood | 4<br>Walnut Grove<br>at<br>Perkins Rd | 5<br>Humphreys Blvd<br>at<br>Walnut Grove |
|----|-------------------------------|--------------------------------------|-----------------------------------|---------------------------------------|-------------------------------------------|
| AM | 5:54                          | 6:07                                 | 6:17                              | 6:27                                  | 6:40                                      |
|    | 6:40                          | 6:53                                 | 7:03                              | 7:13                                  | 7:26                                      |
|    | 7:31                          | 7:44                                 | 7:54                              | 8:04                                  | 8:17                                      |
|    | 8:17                          | 8:30                                 | 8:40                              | 8:50                                  | 9:03                                      |
|    | 9:08                          | 9:21                                 | 9:31                              | 9:41                                  | 9:54                                      |
|    | 10:45                         | 10:58                                | 11:08                             | 11:18                                 | 11:31                                     |
| PM | 12:25                         | 12:38                                | 12:48                             | 12:58                                 | 1:11                                      |
|    | 2:05                          | 2:18                                 | 2:28                              | 2:38                                  | 2:51                                      |
|    | 2:50                          | 3:03                                 | 3:13                              | 3:23                                  | 3:36                                      |
|    | 3:42                          | 3:55                                 | 4:05                              | 4:15                                  | 4:28                                      |
|    | 4:28                          | 4:41                                 | 4:51                              | 5:01                                  | 5:14                                      |
|    | 5:19                          | 5:32                                 | 5:42                              | 5:52                                  | 6:05                                      |

## MONDAY – FRIDAY • INBOUND TO DOWNTOWN

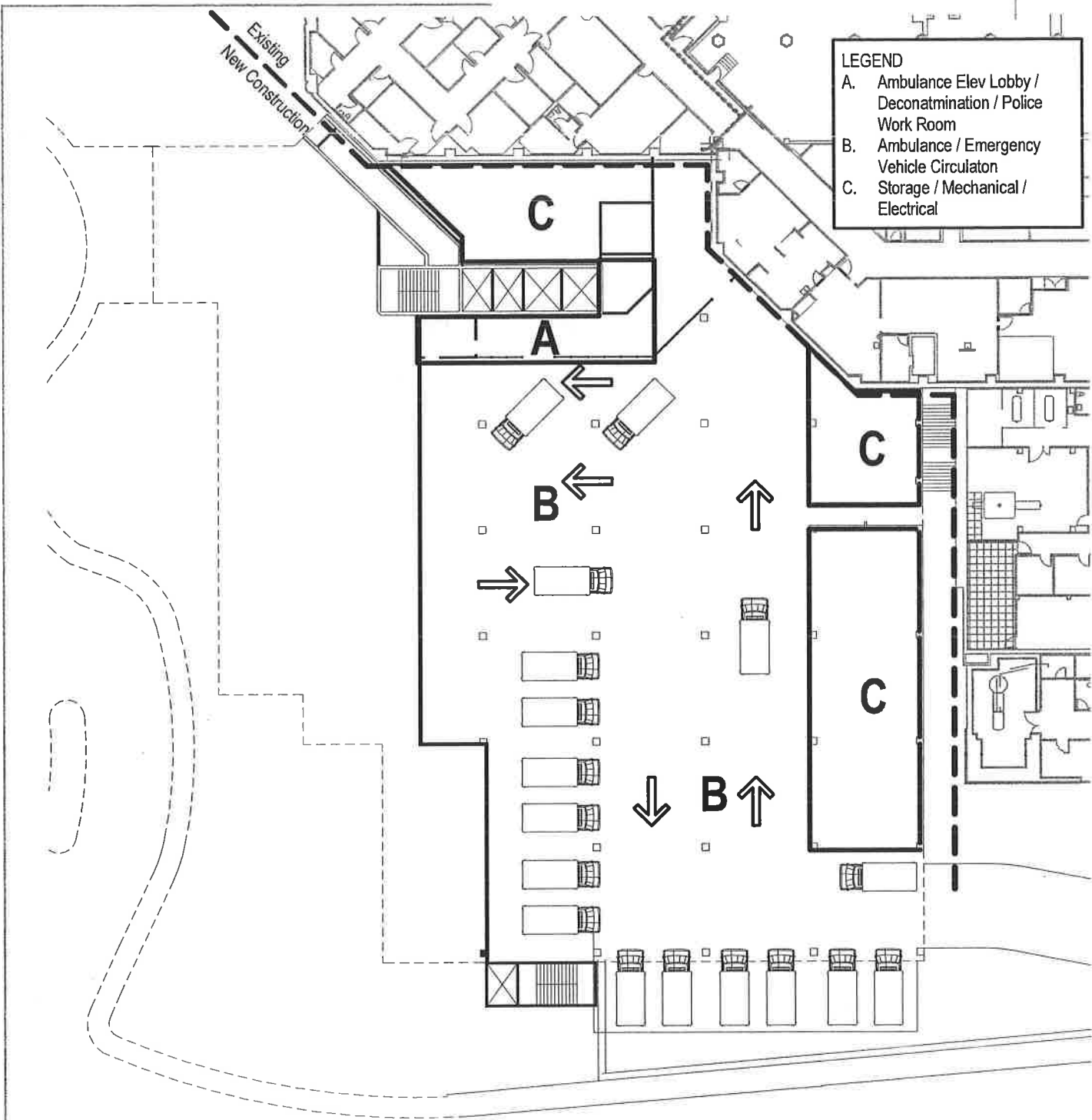
|    | 5<br>Humphreys Blvd<br>at<br>Walnut Grove | 4<br>Walnut Grove<br>at<br>Perkins Rd | 3<br>Union Ave<br>at<br>Hollywood | 2<br>Union Ave<br>at<br>Cleveland St | 1<br>North<br>End<br>Terminal |
|----|-------------------------------------------|---------------------------------------|-----------------------------------|--------------------------------------|-------------------------------|
| AM | 6:43                                      | 6:58                                  | 7:08                              | 7:18                                 | 7:31                          |
|    | 7:29                                      | 7:44                                  | 7:54                              | 8:04                                 | 8:17                          |
|    | 8:20                                      | 8:35                                  | 8:45                              | 8:55                                 | 9:08                          |
|    | 9:06                                      | 9:21                                  | 9:31                              | 9:41                                 | 9:54                          |
|    | 9:57                                      | 10:12                                 | 10:22                             | 10:32                                | 10:45                         |
|    | 11:34                                     | 11:49                                 | 11:59                             | 12:09                                | 12:25                         |
| PM | 1:14                                      | 1:29                                  | 1:39                              | 1:49                                 | 2:05                          |
|    | 2:54                                      | 3:09                                  | 3:19                              | 3:29                                 | 3:42                          |
|    | 3:40                                      | 3:55                                  | 4:05                              | 4:15                                 | 4:28                          |
|    | 4:31                                      | 4:46                                  | 89 4:56                           | 5:06                                 | 5:19                          |
|    | 5:17                                      | 5:32                                  | 5:42                              | 5:52                                 | 6:05                          |

## **B:IV Floor Plans**



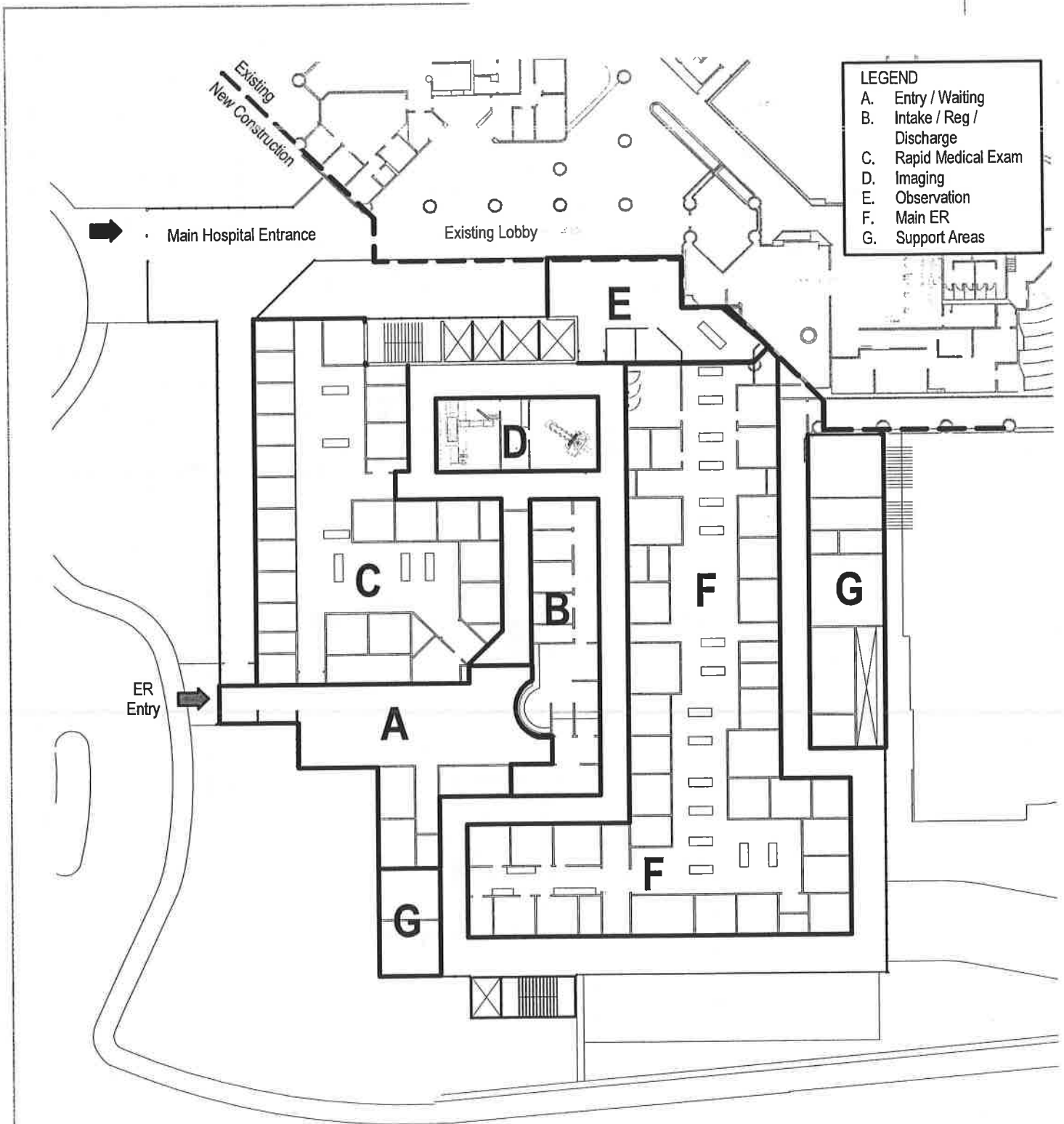
08/06/12

CON - Lower Level Plan



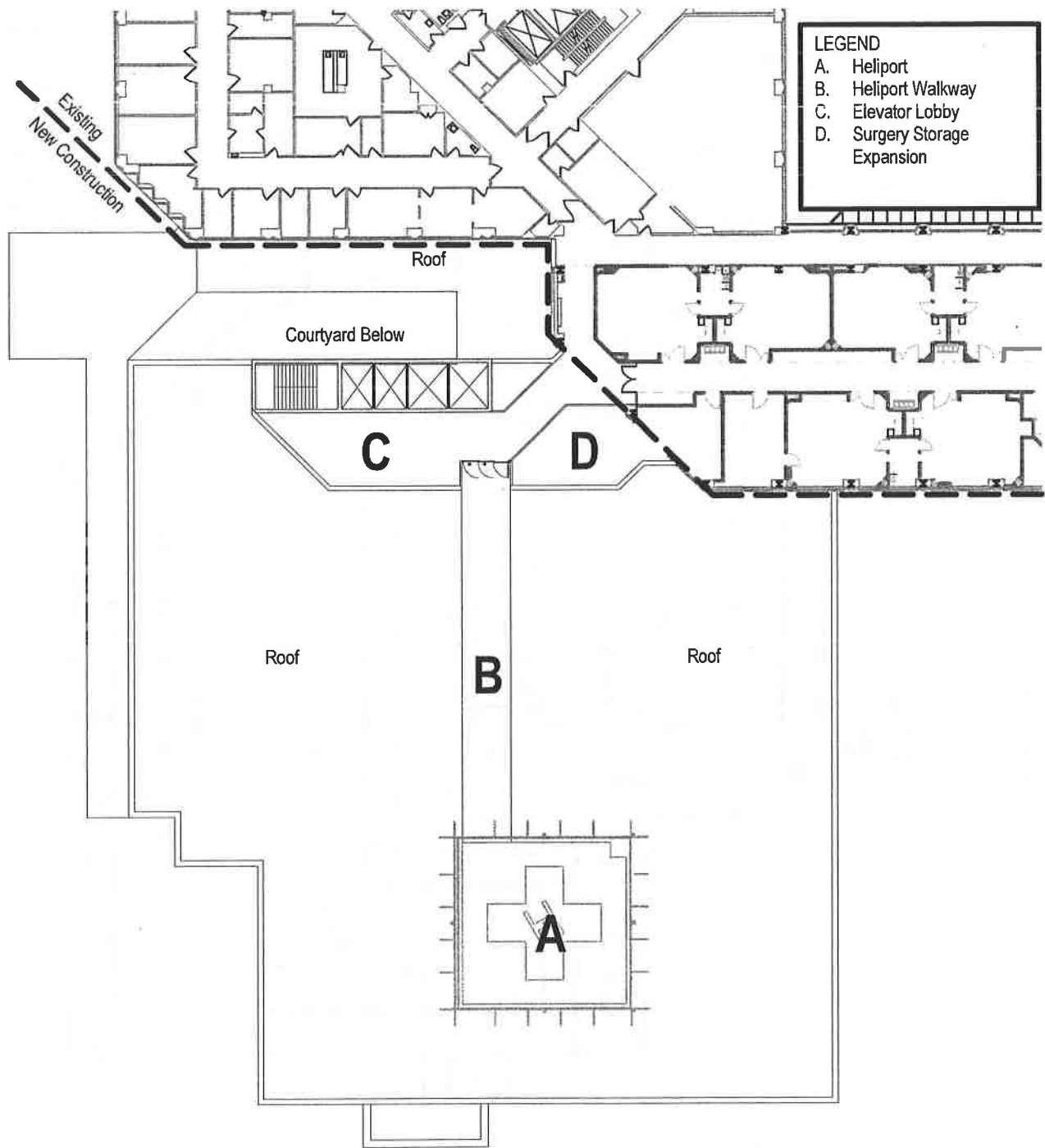


CON - 1st Floor Plan





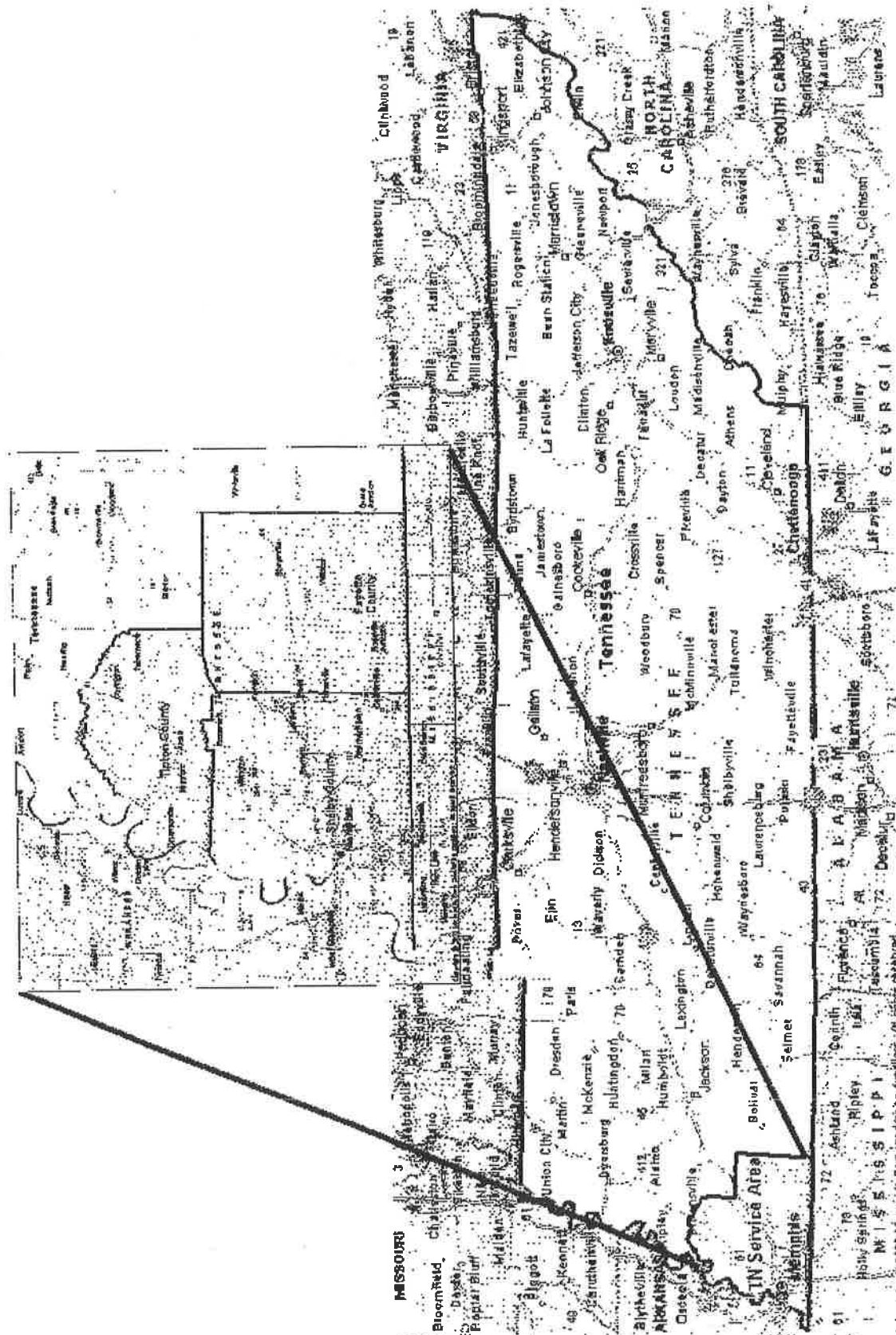
CON - 3rd Level



**C: Need (3)**  
**Service Area Maps**

## Methodist Healthcare – Memphis Hospitals

### Tennessee Portion of Service Area

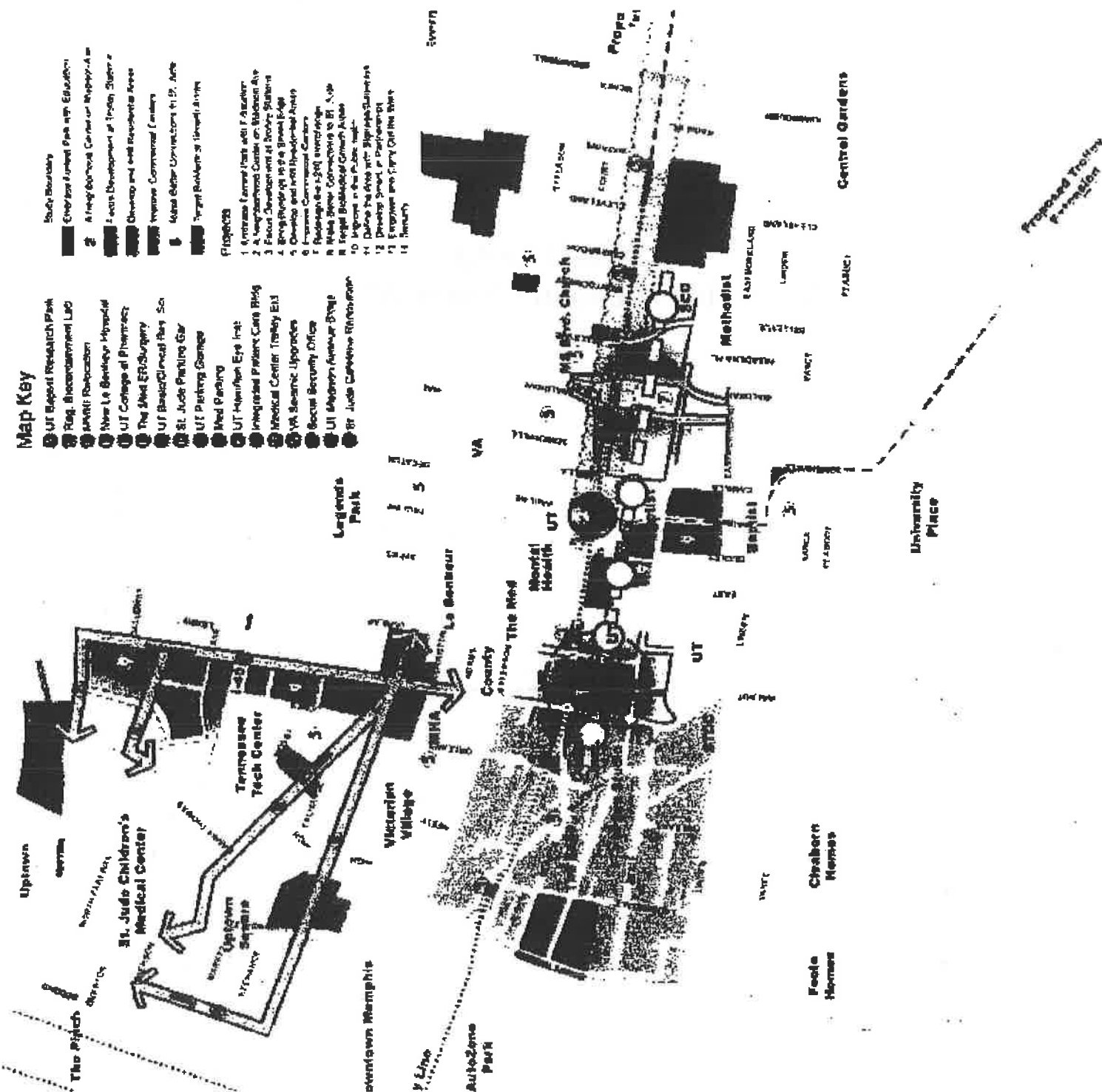




**C: Need (4)(A)**  
**Memphis Medical Center Map**

## Map Key

- 1 UT Report Research Plan
- 2 Reg. Measurement Lab
- 3 Adult Education
- 4 New Le. Berkeley Hospital
- 5 UT College of Pharmacy
- 6 The Med Ed/Surgery
- 7 UT Basic/Clinical Res. Cn
- 8 St. Jude Printing Gr
- 9 UT Parking Garage
- 10 Med Building
- 11 UT-Houston Eye Inst
- 12 Integrated Patient Care Bldg
- 13 Medical Center Training Ekt
- 14 VA Service Upgrades
- 15 Social Security Office
- 16 UT Houston Avenue Bldg
- 17 Jude Cardiac Electrophys



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**C: Economic Feasibility (1)(d)  
Documentation of Construction  
Cost Estimate**

August 13, 2012

Mr. Kevin M. Spiegel, FACHE  
Chief Executive Officer  
Methodist University Hospital  
1265 Union Avenue  
Memphis, TN 38104

RE: VERIFICATION OF CONSTRUCTION COST ESTIMATE -  
METHODIST UNIVERSITY HOSPITAL REPLACEMENT EMERGENCY  
DEPARTMENT PROJECT, MEMPHIS, TENNESSEE

Dear Mr. Spiegel:

We have reviewed the construction cost estimates and descriptions for the project in the CON packet and compared them to typical construction costs we have experienced in the Mid South region for healthcare construction.

It is brg3s's opinion, that in today's dollar the projected \$29.4 million construction budget is consistent with the cost value for this type of construction and similar projects in this market. The budget includes \$20 million for construction, \$5 million for site work, \$1.9 million design budget and \$2.5 million for contingency. While specific finish choices and market conditions can greatly affect the cost of any project, the costs assumed in the estimate appear adequate for mid range finishes used in a healthcare environment for the scope of work for the Methodist University Hospital Replacement Emergency Department.

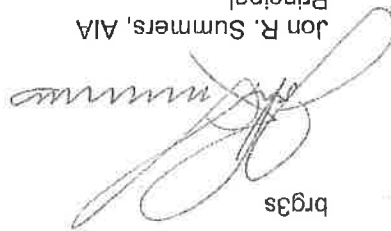
In providing opinions of probable construction cost, the Client understands the Consultant has no control over the cost or availability of labor, equipment or material, or over market conditions or the Contractor's method of pricing and that the Consultant's opinions of probable construction costs are made on the basis of the Consultant's professional judgment and experience. The consultant makes no warranty, express or implied, that the bids or the negotiated cost of the work will not vary from the Consultant's opinion of probable construction cost.

This facility will be designed in accordance with all applicable codes, regulations and guidelines required and in accordance with equipment manufacturers' specifications at the proposed location of the Methodist University Hospital Replacement Emergency Department, Union Avenue, Memphis, TN.

Please do not hesitate to contact us if you require any additional information.

Sincerely,

brg3s

  
Jon R. Summers, AIA  
Principal



11 W. Huling Avenue  
Memphis, Tennessee 38103  
I 901.260.9600  
F 901.531.8042  
W brg3s.com

brg3s

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**C: Economic Feasibility (2)**  
**Documentation of**  
**Availability of Funding**



August 10, 2012

Melanie Hill  
Executive Director  
Tennessee Health Facilities Commission  
Andrew Jackson State Office Building  
500 Deaderick Street, Suite 850  
Nashville, TN 37243

Dear Ms. Hill:

This is to certify that Methodist Healthcare – Memphis Hospitals has adequate financial resources for the Methodist Healthcare – University Hospital Emergency Department Replacement project. The applicant, Methodist Healthcare–Memphis Hospitals, is a not-for-profit corporation that operates five Shelby County hospitals under a single license. The applicant is a wholly-owned subsidiary of a broader parent organization, Methodist Healthcare, which is a not-for-profit corporation with ownership and operating interests in multiple other healthcare facilities of several types in West Tennessee. Cash is held at the corporate level. Methodist Healthcare has available cash balances to commit to this project. The capital cost of the project is estimated at \$33,488,985.

Sincerely,

Chris McLean  
Senior Vice President Finance

## **C: Economic Feasibility (10)**

### **Financial Statements**

# Methodist Healthcare

## Balance Sheet

July, 2012  
(in thousands)

|                                       |         |
|---------------------------------------|---------|
| Assets:                               |         |
| Current Assets:                       |         |
| Cash & Temporary Investments:         |         |
| Unrestricted                          | 763,235 |
| Restricted                            | 3,312   |
| Total Cash & Temporary Investments    | 766,547 |
| Accounts Receivable:                  |         |
| Patient                               | 34,469  |
| Allow for Dblful Accts & Contr Adj    | 7,500   |
| Net Patient Accounts Receivable       | 26,969  |
| Medicare/Medicaid Programs            | 0       |
| Other                                 | 24,238  |
| Total Accounts Receivable             | 51,207  |
| Inventories                           | 66      |
| Prepaid Exp & Other Current Assets    | 2,881   |
| Assets Limited To Use-Current Portion | 980     |
| Total Current Assets                  | 821,681 |
| Assets Limit To Use-Less Curr Portion | 40,078  |
| Property Plant & Equipment-Net        | 52,059  |
| Unamortized Debt Issue Costs          | 14,007  |
| Other Assets                          | 1,273   |
| Total Assets                          | 929,098 |
| Liabilities and Net Assets:           |         |
| Current Liabilities:                  |         |
| Accounts Payable & Accrued Expenses   | 34,152  |
| Accrued Payroll & Payroll Taxes       | 5,188   |
| Accrued Interest                      | 5,965   |
| Medicare/Medicaid Programs            | 0       |
| Long Term Debt-Current Portion        | 15,790  |
| Total Current Liabilities             | 61,095  |
| Long Term Debt Less Current Portion   | 595,792 |
| Accrued Pension Exp & Other Lt Liab   | 303,877 |
| Minority Interest                     | 0       |
| Total Liabilities                     | 960,764 |
| Net Assets:                           |         |
| Unrestricted                          | -31,666 |
| Temporarily Restricted                | 0       |
| Total Net Assets                      | -31,666 |
| Total Liabilities and Net Assets      | 929,098 |

2012 AUG 15 PM 10 12



**Methodist Healthcare – Memphis Hospitals**  
**Income Statement**  
**Period Ended July 2012**  
**(\$000's)**

| <b>Revenues</b>                |                        |
|--------------------------------|------------------------|
| Gross patient service revenues | \$ 842,099             |
| Deductions from revenue        | 629,533                |
| Net patient service revenues   | <u>212,566</u>         |
| Other Operating Revenue        | 10,468                 |
| Other Non-Operating Revenue    | 4,296                  |
| Total revenues                 | 227,330                |
| <b>Expenses</b>                |                        |
| Salaries and benefits          | 97,098                 |
| Supplies and other             | 116,748                |
| Depreciation and amortization  | 8,814                  |
| Interest                       | 1,912                  |
| Total expenses                 | <u>224,572</u>         |
| <b>Net Income</b>              | <u><u>\$ 2,758</u></u> |

**METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES**  
**Combined Financial Statements**  
**December 31, 2011 and 2010**  
**(With Independent Auditors' Report Thereon)**





KPMG LLP  
Morgan Keegan Tower  
Suite 900  
50 North Front Street  
Memphis, TN 38103-1194

## Independent Auditors' Report

The Board of Directors  
Methodist Le Bonheur Healthcare:

We have audited the accompanying combined balance sheets of Methodist Le Bonheur Healthcare and Affiliates (the System) as of December 31, 2011 and 2010, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended. These combined financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Methodist Le Bonheur Healthcare and Affiliates as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

April 16, 2012

# METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Balance Sheets  
December 31, 2011 and 2010

(In thousands)

| Assets                                                           | 2011         | 2010         |
|------------------------------------------------------------------|--------------|--------------|
| Current assets:                                                  |              |              |
| Cash and cash equivalents                                        | 71,558       | 84,803       |
| Investments                                                      | 569,779      | 565,555      |
| Net patient accounts receivable                                  | 170,705      | 167,534      |
| Due from third-party payors                                      | 523          | —            |
| Other current assets                                             | 45,013       | 39,267       |
| Assets limited as to use – current portion                       | 897          | 719          |
| Total current assets                                             | 858,475      | 857,878      |
| Assets limited as to use, less current portion                   | 40,754       | 40,176       |
| Property and equipment, net                                      | 808,006      | 810,344      |
| Other assets                                                     | 58,613       | 58,448       |
| Total assets                                                     | \$ 1,765,848 | \$ 1,766,846 |
| Liabilities and Net Assets                                       |              |              |
| Current liabilities:                                             |              |              |
| Accounts payable                                                 | 58,581       | 58,302       |
| Accrued expenses and other current liabilities                   | 85,280       | 78,027       |
| Due to third-party payors                                        | —            | 8,066        |
| Long-term debt – current portion                                 | 18,849       | 14,009       |
| Total current liabilities                                        | 162,710      | 158,404      |
| Long-term debt, less current portion                             | 515,322      | 532,819      |
| Estimated professional and general liability costs               | 25,392       | 41,642       |
| Accrued pension cost                                             | 190,519      | 119,906      |
| Other long-term liabilities                                      | 92,448       | 54,229       |
| Total liabilities                                                | 986,391      | 907,000      |
| Net assets:                                                      |              |              |
| Unrestricted                                                     | 751,126      | 827,195      |
| Temporarily restricted                                           | 20,081       | 22,743       |
| Permanently restricted                                           | 3,004        | 2,840        |
| Total net assets attributable to Methodist Le Bonheur Healthcare | 774,211      | 852,778      |
| Noncontrolling interests                                         | 5,246        | 7,068        |
| Total net assets                                                 | 779,457      | 859,846      |
| Commitments and contingencies                                    |              |              |
| Total liabilities and net assets                                 | \$ 1,765,848 | \$ 1,766,846 |

See accompanying notes to combined financial statements.

# METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Statements of Operations  
Years ended December 31, 2011 and 2010

(in thousands)

|                                                                                                     | 2011      | 2010      |
|-----------------------------------------------------------------------------------------------------|-----------|-----------|
| Unrestricted revenues and other support:                                                            |           |           |
| Net patient service revenue                                                                         | 1,356,646 | 1,255,227 |
| Other revenue                                                                                       | 30,639    | 38,123    |
| Net assets released from restrictions used for operations                                           | 9,055     | 10,118    |
| Total unrestricted revenues and other support                                                       | 1,396,340 | 1,303,468 |
| Expenses:                                                                                           |           |           |
| Salaries and benefits                                                                               | 662,305   | 625,914   |
| Supplies and other                                                                                  | 473,492   | 441,738   |
| Provision for uncollectible accounts                                                                | 109,570   | 90,558    |
| Depreciation and amortization                                                                       | 85,282    | 75,004    |
| Interest                                                                                            | 25,586    | 13,657    |
| Total expenses                                                                                      | 1,356,235 | 1,246,871 |
| Operating income                                                                                    | 40,105    | 56,597    |
| Nonoperating gains (losses):                                                                        |           |           |
| Investment income, net                                                                              | 36,271    | 30,781    |
| Change in fair value of interest rate swaps                                                         | (38,084)  | (2,253)   |
| Unrealized gain (loss) on trading securities, net                                                   | (27,261)  | 27,277    |
| Impairment of land                                                                                  | (3,800)   | (399)     |
| Impairment of goodwill                                                                              | —         | (3,961)   |
| Impairment loss on equity investee                                                                  | —         | —         |
| Total nonoperating (losses) gains, net                                                              | (32,874)  | 51,445    |
| Revenues, gains and other support in excess of expenses and losses, before noncontrolling interests | 7,231     | 108,042   |
| Noncontrolling interests                                                                            | (382)     | (2,383)   |
| Revenues, gains and other support in excess of expenses and losses                                  | 6,849     | 105,659   |
| Other changes in unrestricted net assets:                                                           |           |           |
| Accrued pension cost adjustments                                                                    | (85,813)  | (10,730)  |
| Other                                                                                               | 2,895     | 7,318     |
| Net assets released from restrictions used for capital purposes                                     | 2,895     | 7,318     |
| (Decrease) increase in unrestricted net assets                                                      | (76,069)  | 102,287   |

See accompanying notes to combined financial statements.

# METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

(Combined Statements of Changes in Net Assets)

Years ended December 31, 2011 and 2010

(In thousands)

|                                                                    | 2011     | 2010     | 2009  | 2008    |
|--------------------------------------------------------------------|----------|----------|-------|---------|
| Unrestricted                                                       | 724,908  | 28,714   | 1,227 | 6,834   |
| Temporarily restricted                                             | 10,873   | 613      | —     | 2,383   |
| Permanently restricted                                             | —        | —        | —     | —       |
| Noncontributing interests                                          | —        | —        | —     | —       |
| Total                                                              | 735,781  | 29,327   | 1,227 | 8,817   |
| Revenues, gains and other support in excess of expenses and losses | 105,659  | —        | —     | —       |
| Distributions to minority shareholders                             | (10,730) | —        | —     | —       |
| Accrued pension cost adjustments                                   | 40       | —        | —     | —       |
| Other                                                              | 40       | —        | —     | —       |
| Donor-restricted gifts, grants, and bequests                       | —        | 10,873   | 613   | —       |
| Investment income, net                                             | —        | 592      | —     | —       |
| Net assets released from restrictions used for operations          | —        | (10,118) | —     | —       |
| Net assets released from restrictions used for capital purposes    | 7,318    | (7,318)  | —     | —       |
| Change in net assets                                               | 102,287  | (5,971)  | 613   | 2,383   |
| Balances at December 31, 2010                                      | 827,195  | 22,743   | 2,840 | 7,048   |
| Revenues, gains and other support in excess of expenses and losses | 4,449    | —        | —     | —       |
| Distributions to minority shareholders                             | (85,813) | 9,116    | 164   | —       |
| Donor-restricted gifts, grants, and bequests                       | —        | 172      | —     | —       |
| Investment income, net                                             | —        | —        | —     | —       |
| Net assets released from restrictions used for operations          | —        | (9,055)  | —     | —       |
| Net assets released from restrictions used for capital purposes    | 2,895    | (2,895)  | —     | —       |
| Change in net assets                                               | (76,069) | (2,662)  | 164   | (1,822) |
| Balances at December 31, 2011                                      | 751,126  | 20,081   | 3,004 | 5,246   |
| Revenues, gains and other support in excess of expenses and losses | —        | —        | —     | —       |
| Distributions to minority shareholders                             | —        | —        | —     | —       |
| Accrued pension cost adjustments                                   | —        | —        | —     | —       |
| Other                                                              | —        | —        | —     | —       |
| Donor-restricted gifts, grants, and bequests                       | —        | —        | —     | —       |
| Investment income, net                                             | —        | —        | —     | —       |
| Net assets released from restrictions used for operations          | —        | —        | —     | —       |
| Net assets released from restrictions used for capital purposes    | —        | —        | —     | —       |
| Change in net assets                                               | —        | —        | —     | —       |
| Balances at December 31, 2011                                      | 779,457  | (80,389) | —     | —       |

See accompanying notes to combined financial statements.

**C: Orderly Development (1)**  
**List of Managed Care Contracts**

### Plans:

43  
RDA 1530



**C: Orderly Development (6)**  
**List of Clinical Affiliations**

182

112

Methodist Healthcare  
Clinical Affiliation Agreements[illegible]

Arkansas Northeastern College  
Arkansas State University  
Arkansas State University  
Arkansas State University  
Auburn University  
Baptist College of Health Sciences  
Baptist College of Health Sciences  
Baylor University  
Bellarmine University  
Belmont University  
Bethel College  
Christian Brothers University  
College of Health Professions  
Concorde Career College  
Concorde Career Institute  
Concorde Career Institute  
Concorde Career Institute  
Delta State University  
East Arkansas Community College  
East Tennessee State University  
Elton College  
High-Tech Institute-Memphis  
Hawamba Community College  
James Madison University  
Loma Linda University  
Louisiana State University Health Sciences Center - School of Allied Health Sciences  
LSU Health Sciences Center  
Medical University of South Carolina  
Mississippi University for Women  
Remington College Memphis  
Northeast Louisiana University  
Northwest Mississippi Community College  
Northwest Mississippi Community College  
Northwest Mississippi Community College  
Ozarka Technical College  
Radiographers  
Rockhurst University  
Saint Louis University, Dept of Physical Therapy  
Southwest Tennessee Community College  
Southwest Tennessee Community College  
State of Colorado, Department of Higher Education Board  
For Community Colleges and Occupational Education  
Tennessee State University  
Tennessee Technology Center at Covington, Winford Campus  
Tennessee Technology Center at Memphis  
Tennessee Technology Center at Memphis  
The University of Tennessee  
Union University  
University of Findlay  
University of Memphis  
University of Memphis

# Methodist Healthcare Clinical Affiliation Agreements

|                                                            |                                                             |
|------------------------------------------------------------|-------------------------------------------------------------|
| Clinical Affiliation Agreement / Physical Therapy          | University of Memphis                                       |
| Clinical Affiliation Agreement / Audiology                 | University of Memphis                                       |
| Clinical Affiliation Agreement / Pharmacy                  | University of Mississippi                                   |
| Clinical Affiliation Agreement / Speech Pathology          | University of Mississippi                                   |
| Clinical Affiliation Agreement / Physical Therapy          | University of Mississippi Medical Center                    |
| Clinical Affiliation Agreement / Laboratory                | University of New Hampshire                                 |
| Clinical Affiliation Agreement / Physical Therapy          | University of North Florida                                 |
| Clinical Affiliation Agreement / Physical Therapy          | University of South Alabama School of Nursing               |
| Clinical Affiliation Agreement / Speech Pathology          | University of Southern Mississippi                          |
| Clinical Affiliation Agreement / Nursing Admin & Education | University of St. Augustine for Health Science Institute of |
| Clinical Affiliation Agreement / Physical Therapy          | Occupational Therapy Institute of Physical Therapy          |
| Clinical Affiliation Agreement / Corporate Affairs         | University of Tennessee                                     |
| Clinical Affiliation Agreement / Nursing Admin             | University of Tennessee                                     |
| Clinical Affiliation Agreement / Pharmacy                  | University of Tennessee                                     |
| Clinical Affiliation Agreement / Physical Therapy          | University of Tennessee                                     |
| Clinical Affiliation Agreement / Pathology                 | University of Tennessee                                     |
| Clinical Affiliation Agreement / LEAD                      | University of Tennessee at Chattanooga                      |
| Clinical Affiliation Agreement / Physical Therapy          | University of Tennessee at Chattanooga                      |
| Clinical Affiliation Agreement / Occupational Therapy      | University of Tennessee Health Science Center               |
| Clinical Affiliation Agreement / Nursing Education         | University of Tennessee Health Science Center               |
| Clinical Affiliation Agreement / Surgery / OR              | UT Medical Group, Inc                                       |
| Clinical Affiliation Agreement / Nursing Admin             | Vanderbilt University                                       |
| Clinical Affiliation Agreement / Speech Pathology          | Vanderbilt University                                       |
| Clinical Affiliation Agreement / Physical Therapy          | Washington University School of Medicine                    |
| Clinical Affiliation Agreement / Physical Therapy          | Xavier University                                           |

**C: Orderly Development (7)(c)  
License from  
Board of Licensing Health Care Facilities**

# Board for Licensing Health Care Facilities

State of Tennessee



0000000109

No. of Beds 1583

## DEPARTMENT OF HEALTH

*This is to certify, that a license is hereby granted by the State Department of Health to*

METHODIST HEALTHCARE - MEMPHIS HOSPITALS

*to conduct and maintain a*

*Hospital*

METHODIST HEALTHCARE - MEMPHIS HOSPITALS

*Located at* 1265 UNION AVENUE, MEMPHIS

*County of* SHELBY, Tennessee.

*This license shall expire* SEPTEMBER 14, 2013, *and is subject*

*to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued hereunder.*

*In Witness Whereof, we have hereunto set our hand and seal of the State this* 1ST *day of* JULY, 2012.

*In the District Category(ies) of:* GENERAL HOSPITAL  
PEDIATRIC PRIMARY HOSPITAL  
TRAUMA CENTER LEVEL 2



*By* Lucian J. Davis, MPH  
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

*By* John D. Davis  
COMMISSIONER

**C: Orderly Development (7)(d)(1)  
TDH Licensure Survey and  
Plan of Correction**

FEB 22 2008



STATE OF TENNESSEE  
DEPARTMENT OF HEALTH  
WEST TENNESSEE HEALTH CARE FACILITIES  
781-B AIRWAYS BOULEVARD  
JACKSON, TENNESSEE 38301-3203

February 13, 2008

Ms. Peggy Troy, Administrator  
Memphis Healthcare Hospitals  
1211 Union Avenue, Ste 700  
Memphis, TN 38104

RE: Licensure Surveys

Dear Ms. Troy:

On January 17, 2008, licensure surveys were completed at your facility. Your plans of correction for these surveys have been received and were found to be acceptable.

Thank you for the consideration shown during this survey.

Sincerely,

*Celia S. Kelley*  
Celia Skelley, MSN, RN

Public Health Nurse Consultant 2

CES/TJW



STATE OF TENNESSEE  
DEPARTMENT OF HEALTH  
WEST TENNESSEE HEALTH CARE FACILITIES  
781-B ALWAYS BOULEVARD  
JACKSON, TENNESSEE 38301-3203

January 29, 2008

Ms. Peggy Troy, Administrator  
Methodist Healthcare Memphis Hospitals  
1211 Union Avenue, Ste 700  
Memphis, TN 38104

RE: Licensure Surveys

Dear Ms. Troy:

Enclosed is the statement of deficiencies for the licensure surveys completed at your facility on January 17, 2008. Based upon 1200-B-1, you are asked to submit an acceptable plan of correction for achieving compliance with completion dates and signature within ten (10) days from the date of this letter.

Please address each deficiency separately with positive and specific statements advising this office of a plan of correction that includes acceptable time schedule, which will lead to the correction of the cited deficiencies. Enter on the right side of the State Form, opposite the deficiencies, your planned action to correct the deficiencies and the expected completion date. The completion date can be no longer than 45 days from the day of survey. Before the plan can be considered "acceptable," it must be signed and dated by the administrator.

Your plan of correction must contain the following:

- > How the deficiency will be corrected;
- > How the facility will prevent the same deficiency from recurring;
- > The date the deficiency will be corrected;
- > How ongoing compliance will be monitored.

Please be advised that under the disclosure of survey information provisions, the Statement of Deficiencies will be available to the public.

If assistance is needed, please feel free to call me at 731-421-5113.

Sincerely,

*Celia Skelley*  
Celia Skelley, MSN, RN  
Public Health Consultant Nurse 2

CS/TW



|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |                                                                                                                    |  |                                                                                      |  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------------------------------------------------------------------------------------------------------------------|--|--------------------------------------------------------------------------------------|--|
| STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  | TNP531109                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  | A. BUILDINGS 03 - METHODIST NORTH BUIL<br>B WING                                                                   |  | 01/16/2008                                                                           |  |
| (X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  | NAME OF PROVIDER OR SUPPLIER                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |  | STREET ADDRESS CITY, STATE, ZIP CODE                                                                               |  | METHODIST HEALTHCARE MEMPHIS HOSPIT<br>1265 UNION AVE SUITE 700<br>MEMPHIS, TN 38104 |  |
| (X2) MULTIPLE CONSTRUCTION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  | ID PREFIX TAG                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  | PROVIDER'S PLAN OF CORRECTION<br>(EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY) |  | DATE COMPLETED                                                                       |  |
| H 871                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  | 1200-8-1-08 (1) Building Standards                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  | H 871                                                                                                              |  | Building Standards                                                                   |  |
| <p>(1) The hospital must be constructed, arranged, and maintained to ensure the safety of the patient.</p> <p>This Rule is not met as evidenced by:</p> <p>Methodist North</p> <p>Based on observation, it was determined that the facility failed to maintain all parts of the building.</p> <p>The findings included:</p> <p>On 1/16/08 these items were found during the tour of the building:</p> <p>a. On the 5th floor a sprinkler head deflector was found bent by room 511 in the corridor</p> <p>b. On the 4th floor the oxygen storage room door would not close and latch.</p> <p>c. On the 3rd floor a penetration was found around the duct above the ceiling by room 308</p> <p>d. On the 2nd floor at the entrance of the Cath lab by the elevators the hand rail had come lose from the wall</p> <p>e. On the 2nd floor the fire doors (2-FD-222) at the entrance of the Cath Lab did not close and latch.</p> <p>f. On the 2nd floor at the Cardiac Short Stay a hole in the wall was found behind the fire door.</p> <p>g. On the 1st floor in the O R Preop holding storage was being stored in the patient holding areas.</p> <p>h. In the Newborn Intension Care has 2 of 3 Emergency lights that did not work when tested. The door to the oxygen storage room (140) did not close and latch.</p> <p>i. The smoke detector outside the Diagnostics room is approximately 12 inches from the supply vent from the air conditioner.</p> |  | <p>a. Sprinkler head was repaired.</p> <p>A full inspection of corridor sprinkler heads was completed on 02/06/2008 with findings of 7 bent heads from a total of 278 inspected. These sprinkler heads will be replaced by March 7th.</p> <p>b. Door latch was replaced.</p> <p>Random fire door inspections will continue to ensure that all fire doors are included in the program and not just those that are located in the hallways at fire barriers.</p> <p>c. Repaired penetration.</p> <p>We believe this to be an isolated occurrence as no other penetrations were found.</p> <p>Continue quarterly random penetration inspections and annual full building penetration inspections.</p> <p>d. Changed hand rail to wall guard.</p> <p>Will inspect elevator service lobbies for best application of wall guard versus hand rails and change as appropriate.</p> <p>e. Door latch was repaired on</p> <p>Continue random fire door inspections and ensure that all fire doors are included in the program.</p> <p>f. The hole in the wall has been repaired.</p> <p>This appeared to an isolated incident, which occurred very recently. An inspection of every set of fire doors that are held open found that this was the only door with an issue.</p> |  | <p>01/23/08</p> <p>01/17/08</p> <p>01/22/08</p> <p>01/17/08</p> <p>01/18/08</p>                                    |  | <p>01/23/08</p> <p>01/17/08</p> <p>01/22/08</p> <p>01/17/08</p> <p>01/18/08</p>      |  |

STATE FORM

LABORATORY DIRECTORS OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

DATE

VO4921

If continuation sheet, of 2

|                                                  |  |                                                                    |  |                                                     |  |                                          |
|--------------------------------------------------|--|--------------------------------------------------------------------|--|-----------------------------------------------------|--|------------------------------------------|
| STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION |  | (X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:<br><br>TN531109 |  | A. BUILDING<br>B. WING<br>C. - METHODIST NORTH BUIL |  | (X3) DATE SURVEY COMPLETED<br>01/16/2008 |
| NAME OF PROVIDER OR SUPERVISOR                   |  |                                                                    |  | STREET ADDRESS, CITY, STATE ZIP CODE                |  |                                          |
| METHODIST HEALTHCARE MEMPHIS HOSPIT              |  |                                                                    |  | 1265 UNION AVE SUITE 700<br>MEMPHIS, TN 38104       |  |                                          |

|                                                                                                 |  |               |  |                                                                                                                 |  |
|-------------------------------------------------------------------------------------------------|--|---------------|--|-----------------------------------------------------------------------------------------------------------------|--|
| SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL TAG PREFIX AND TAG) |  | ID PREFIX TAG |  | PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY) |  |
|-------------------------------------------------------------------------------------------------|--|---------------|--|-----------------------------------------------------------------------------------------------------------------|--|

|                                                                                                                                                                                                                                                                                            |  |                       |  |                                                                                                                                                                                                                                                                                            |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------------|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| H 871                                                                                                                                                                                                                                                                                      |  | Continued From page 1 |  | K. In the basement 3 tables, a screen and a small metal cart are sitting in the corridor of the medical records                                                                                                                                                                            |  |
| Methodist South, No Deficiencies                                                                                                                                                                                                                                                           |  |                       |  |                                                                                                                                                                                                                                                                                            |  |
| Methodist University Hospital, No Deficiencies                                                                                                                                                                                                                                             |  |                       |  |                                                                                                                                                                                                                                                                                            |  |
| Methodist Germantown Hospital, No Deficiencies                                                                                                                                                                                                                                             |  |                       |  |                                                                                                                                                                                                                                                                                            |  |
| Methodist Behavioral Health Hospital, No Deficiencies                                                                                                                                                                                                                                      |  |                       |  |                                                                                                                                                                                                                                                                                            |  |
| Methodist Lebonheur Childrens Hospital, No Deficiencies                                                                                                                                                                                                                                    |  |                       |  |                                                                                                                                                                                                                                                                                            |  |
| Continued From page 1                                                                                                                                                                                                                                                                      |  | H 871                 |  | Continued from page 1                                                                                                                                                                                                                                                                      |  |
| G. Supplies were immediately removed during the survey.                                                                                                                                                                                                                                    |  |                       |  | G. Supplies were immediately removed during the survey.                                                                                                                                                                                                                                    |  |
| Unannounced random inspections will be conducted and documented by Safety / Facilities Services at least monthly in this area to ensure compliance for the next 3 months. Any deficiencies will be immediately corrected and in-service training will be provided to department personnel. |  |                       |  | Unannounced random inspections will be conducted and documented by Safety / Facilities Services at least monthly in this area to ensure compliance for the next 3 months. Any deficiencies will be immediately corrected and in-service training will be provided to department personnel. |  |
| H. Emergency lights were replaced. Testing of the battery powered lights will occur on a monthly basis.                                                                                                                                                                                    |  |                       |  | H. Emergency lights were replaced. Testing of the battery powered lights will occur on a monthly basis.                                                                                                                                                                                    |  |
| I. Door latch was replaced.                                                                                                                                                                                                                                                                |  |                       |  | I. Door latch was replaced.                                                                                                                                                                                                                                                                |  |
| Continue random fire door inspections and ensure that all fire doors are included in the program and not just those that are located in the hallways at fire barriers.                                                                                                                     |  |                       |  | Continue random fire door inspections and ensure that all fire doors are included in the program and not just those that are located in the hallways at fire barriers.                                                                                                                     |  |
| J. Smoke detector was immediately moved on the day of the inspection.                                                                                                                                                                                                                      |  |                       |  | J. Smoke detector was immediately moved on the day of the inspection.                                                                                                                                                                                                                      |  |
| As we find smoke detectors within 3 feet of a supply / return diffusers, we will move them. We aware of this requirement for all new construction / renovations and will enforce compliance.                                                                                               |  |                       |  | As we find smoke detectors within 3 feet of a supply / return diffusers, we will move them. We aware of this requirement for all new construction / renovations and will enforce compliance.                                                                                               |  |
| K. All items were immediately removed from the corridor during the inspection.                                                                                                                                                                                                             |  |                       |  | K. All items were immediately removed from the corridor during the inspection.                                                                                                                                                                                                             |  |
| Unannounced random inspections will be conducted and documented by Safety / Facilities Services at least monthly in this area to ensure compliance for the next 3 months. Any deficiencies will be immediately corrected and in-service training will be provided to department personnel. |  |                       |  | Unannounced random inspections will be conducted and documented by Safety / Facilities Services at least monthly in this area to ensure compliance for the next 3 months. Any deficiencies will be immediately corrected and in-service training will be provided to department personnel. |  |
| 01/16/08                                                                                                                                                                                                                                                                                   |  | 01/16/08              |  | 01/16/08                                                                                                                                                                                                                                                                                   |  |

|                                                   |  |                       |  |           |  |                                               |  |                            |  |            |  |
|---------------------------------------------------|--|-----------------------|--|-----------|--|-----------------------------------------------|--|----------------------------|--|------------|--|
| STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTIONS |  | IDENTIFICATION NUMBER |  | TNPS31108 |  | (X2) MULTIPLE CONSTRUCTION                    |  | (X3) DATE SURVEY COMPLETED |  | 01/17/2008 |  |
| NAME OF PROVIDER OR SUPPLIER                      |  |                       |  |           |  | STREET ADDRESS, CITY, STATE, ZIP CODE         |  |                            |  |            |  |
| METHODIST HEALTHCARE MEMPHIS HOSPITAL             |  |                       |  |           |  | 1265 UNION AVE SUITE 700<br>MEMPHIS, TN 38104 |  |                            |  |            |  |

|                    |  |                                                                                                                        |  |               |  |                                                                                                                 |  |               |  |      |  |
|--------------------|--|------------------------------------------------------------------------------------------------------------------------|--|---------------|--|-----------------------------------------------------------------------------------------------------------------|--|---------------|--|------|--|
| (X4) ID PREFIX TAG |  | SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION) |  | ID PREFIX TAG |  | PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY) |  | DATE COMPLETE |  | DATE |  |
|--------------------|--|------------------------------------------------------------------------------------------------------------------------|--|---------------|--|-----------------------------------------------------------------------------------------------------------------|--|---------------|--|------|--|

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |                                |  |                                                                                                                                                                                  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------------------------------|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| H 732 1200-8-1-.06 (9)(b) Basic Hospital Functions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  | H 732 Basic Hospital Functions |  | Qualified Interim Food and Nutrition Services Director has been named for Methodist Le Bonheur Children's Medical Center, Methodist North Hospital and Methodist South Hospital. |  | The Food and Nutrition Services Director job description has been revised to require one of the following:<br>1) a dietitian; or<br>2) a graduate of a dietetic technician or dietetic assistant training program, correspondence or classroom, approved by the American Dietetic Association; or<br>3) a graduate of a state-approved course that provided ninety (90) or more hours of classroom instruction in food service supervision and has experience as a food service supervisor in a health care institution with consultation from a qualified dietitian.<br>Food and Nutrition Services Director positions have been posted and recruitment will continue to permanently fill the positions. |  |
| <p>(9) Food and Dietetic Services.</p> <p>(b) The hospital must designate a person to serve as the food and dietetic services director with responsibility for the daily management of the dietary services. The food and dietetic services director shall be:</p> <p>1. A dietitian; or</p> <p>2. A graduate of a dietetic technician or dietetic assistant training program, correspondence or classroom, approved by the American Dietetic Association; or</p> <p>3. A graduate of a state-approved course that provided ninety (90) or more hours of classroom instruction in food service supervision and has experience as a food service supervisor in a health care institution with consultation from a qualified dietitian.</p> <p>This Rule is not met as evidenced by:<br/>Based on review of the hospital's food service contract, of licensure regulations, of personnel files and interviews it was determined the facility failed to meet licensure qualification requirements for 3 of 5 facility Food Service Directors (Facility # 1, 2, and 3) under the hospital license and to follow these State Hospital Regulations.</p> <p>The findings included:</p> <p>1. Review of the hospital contract for dietary services revealed the following documentation under Article 4 - Compliance with laws:<br/>4.1 Compliance. [The food service contract</p> |  |                                |  |                                                                                                                                                                                  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |

PRINTED: 01/29/2008  
FORM APPROVED

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |            |  |                              |  |                                                                                                                 |  |                                                                                                                 |  |                                    |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|------------|--|------------------------------|--|-----------------------------------------------------------------------------------------------------------------|--|-----------------------------------------------------------------------------------------------------------------|--|------------------------------------|--|
| STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  | TN531108   |  | NAME OF PROVIDER OR SUPPLIER |  | METHODIST HEALTHCARE MEMPHIS HOSPITAL                                                                           |  | 1265 UNION AVE SUITE 700<br>MEMPHIS, TN 38104                                                                   |  | STREET ADDRESS CITY STATE ZIP CODE |  |
| (X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  | A BUILDING |  | B WING                       |  | PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY) |  | PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY) |  | DATE SURVEY COMPLETED              |  |
| 01/17/2008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |            |  |                              |  |                                                                                                                 |  |                                                                                                                 |  | 01/17/2008                         |  |
| <p>H 732: Continued From page 1</p> <p>company) and the system agree to comply with all applicable laws, rules and regulations".</p> <p>2. Review of personnel files for the Food Services Directors at Facilities 1, 2 and 3, failed to show they met the licensure regulations for a food service director.</p> <p>During an interview on 1/14/08, at 10:30 AM, the Food Service Director for Facility #1 confirmed he/she did not have the qualifications to meet the licensure regulation.</p> <p>During an interview on 1/15/08, at 9:30 AM, the Food Service Director for Facility #2 confirmed he/she did not have the qualifications to meet the licensure regulation.</p> <p>During an interview on 1/16/08, at 1:30 PM, the Hospital Clinical Risk Management Director was unable to provide documentation that the Food Service Directors from Facility 1, 2 or 3 met these Licensure Regulations.</p>                                                                                                                                                                                                                                                                                                                                    |  |            |  |                              |  |                                                                                                                 |  |                                                                                                                 |  |                                    |  |
| <p>H 732</p> <p>Continued from page 1</p> <p>A check off sheet will be utilized to ensure that before an individual is offered a position as Food and Nutrition Director at any facility in Methodist Le Bonheur Healthcare, the above qualifications are met and one of the following is provided to the HR Recruiter and/or Regional Director of Operations:</p> <p>(1) Copy of CDR Registered Dietitian card, or</p> <p>(2) Copy of CDR Registered Dietetic Technician card, or</p> <p>(3) Copy of certificate of graduation from a state approved CDM class.</p> <p>There will be three (3) required levels of approval for each candidate that is chosen for the food and dietetic services director position at Methodist Le Bonheur Healthcare:</p> <p>(1) Regional Director of Operations with Morrison</p> <p>(2) Regional Vice President with Morrison</p> <p>(3) Methodist Le Bonheur Healthcare Facility Administrative Liaison or the Methodist Le Bonheur Healthcare Facility Human Resource Director.</p> <p>The dietary department will be included in the quarterly Human Resource Department audit. The facility liaison Director at each facility will review the personnel files on an annual basis and at time of new hire.</p> |  |            |  |                              |  |                                                                                                                 |  |                                                                                                                 |  |                                    |  |

Division of Health Care Facilities  
STATE FORM

01.3V.11

If continuation sheet 2 of 2

**C: Orderly Development (7)(d)(2)  
JACHO Accreditation and  
Survey Summary**

# Methodist Healthcare Memphis Hospitals

Memphis, TN

has been Accredited by



## The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

### Hospital Accreditation Program

The evaluation of the long term care services of this organization was substantially based on the results of its most recent federal Medicare/Medicaid certification evaluation.

April 29, 2010

Accreditation is customarily valid for up to 39 months.

David A. Winston, D.D.S.  
Chairman of the Board

Organization ID #: 7874  
Print/Reprint Date: December 7, 2010

Mark Chassin, M.D.  
President

The Joint Commission is an independent, not-for-profit, national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at [www.jointcommission.org](http://www.jointcommission.org).

This reproduction of the original accreditation certificate has been issued for use in regulatory/payer agency verification of accreditation by The Joint Commission. Please consult Quality Check on The Joint Commission's website to confirm the organization's current accreditation status and for a listing of the organization's locations of care.



November 19, 2010

Gary S. Short, MBA  
President/CEO  
Methodist Healthcare Memphis Hospitals  
1211 Union Avenue  
Memphis, TN 38104

Joint Commission ID #: 7874  
Program: Hospital Accreditation  
Accreditation Activity: 60-day Evidence of  
Standards Compliance  
Accreditation Activity Completed: 10/18/2010

Dear Mr. Short:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning May 01, 2010. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 39 months. Please visit [Quality Check®](#) on The Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision. Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

*Ann Scott Blouin, RN, PhD*

Ann Scott Blouin, RN, Ph.D.  
Executive Vice President  
Accreditation and Certification Operations

**C: Proof of Publication**





AFFIDAVIT

2012 AUG 15 AM 10 12

STATE OF Tennessee

COUNTY OF Shelby

Kevin Spiegel being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, et seq., and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

*[Signature]*  
SIGNATURE/TITLE  
SVP/CEO

Sworn to and subscribed before me this 1st day of August 2012 a Notary

Public in and for the County/State of Shelby / Tennessee

MY COMMISSION EXPIRES:  
JUNE 13, 2015

My commission expires \_\_\_\_\_  
(Month/Day) \_\_\_\_\_  
(Year)

*[Signature]*  
NOTARY PUBLIC



# SUPPLEMENTAL

1. Section B. I. (Project Description)

A) Beginning on page 8, third paragraph of the "Detailed Description of the Project" discusses the various components of the proposed main Emergency Department (ED). It would be helpful if the applicant would refer in the description to the floor plan on page 92 and reference the various subsections of the proposed department by letter when describing the various components of the main ED.

Please see Attachment A for revised pages 8, 9 and 10 for the application. Please replace original pages with this attachment.

B) Please complete the following table as partially developed on page 9 of the application.

| Current # of Spaces | Proposed # of Spaces |                            |
|---------------------|----------------------|----------------------------|
| 21                  | 21                   | MAIN ED                    |
| 1                   | 1                    | Exam Rooms                 |
| 4                   | 4                    | Trauma Room                |
| 3                   | 3                    | Resuscitation Rooms        |
| 0                   | 0                    | Observation Rooms          |
| 7                   | 7                    | RAPID MEDICAL EXAM         |
| 10                  | 10                   | Swing Rooms                |
| 2                   | 2                    | Open Bays                  |
| 38                  | 54                   | INTAKE (convertible space) |
|                     |                      | Total Treatment Spaces     |

C) Please describe and discuss the Emergency Department facility planning formula through which the applicant concluded that 54 exam/treatment stations were required in the configuration/allocation of rooms which are proposed.

The determination of the required number and mix of treatment locations was based on detailed analysis of current arrival patterns, length of stay assumptions and planned changes in operational patterns. Simulation models were developed to estimate bed utilization during peak periods, establishing the required number of treatment locations.

The applicant's plans are based on peak volumes using historical seasonal patterns, day of week variations and time of arrival patterns. July and August are peak periods, averaging 6% above the overall average. Monday is the peak day of week, averaging 16% of total arrivals. Based on the target annual volume of 70,000 visits, the typical peak day workload would average 220 visits.

After review of the current, and anticipated, patient mix the hospital chose to plan future operations based on a "split flow" model. This is an approach gaining acceptance throughout the country. The key assumption for Methodist is that all patients with lower acuity levels

SUPPLEMENTA

will be seen in the Rapid Medical Evaluation (RME) units. Lengths of stay assumptions were adjusted to reflect this more efficient management of lower acuity patients, and on the assumption that patient arrival to bed time will be reduced to near zero.

Two additional operational adjustments were established for future operations. A small observation unit was identified to manage patients that are waiting for admission, or need extended observation. The second adjustment is the creation of a results waiting area. This would be used during peak periods for low acuity patients waiting for diagnostic results prior to discharge.

The Flexsim simulation model was run for seven simulated days, first in an "unconstrained" and then at fixed bed capacities. The beds included in this application are projected to meet the demand with minimum queuing by patients, and minimal use of hall beds. The model yielded the need for 54 treatment spaces.

D) Please complete the following table as partially developed on page 24 of the application

| Acuity Level | Actual 2009 | Actual 2010 | Actual 2011 | Projected 2012 | Projected 2013 | Projected 2014 | Projected 2015 | Projected 2016 |
|--------------|-------------|-------------|-------------|----------------|----------------|----------------|----------------|----------------|
| Main ED      | 493         | 500         | 604         | 640            | 656            | 672            | 689            | 706            |
| Level I      | 2,804       | 3,507       | 3,666       | 3,883          | 3,980          | 4,080          | 4,182          | 4,286          |
| Level II     | 11,608      | 13,282      | 13,574      | 14,378         | 14,737         | 15,105         | 15,483         | 15,870         |
| Level III    | 16,565      | 16,069      | 16,568      | 17,549         | 17,987         | 18,437         | 18,898         | 19,370         |
| Level IV     | 19,735      | 21,407      | 22,313      | 23,633         | 24,225         | 24,831         | 25,450         | 26,088         |
| Level V      | 51,205      | 54,765      | 56,725      | 60,083         | 61,585         | 63,125         | 64,702         | 66,320         |
| Total        |             |             |             |                |                |                |                |                |

E) What proportion of the hospital's admissions are generated through the Emergency Department?

Approximately 67% of all inpatient admissions at Methodist University Hospital are generated through the ED. As the main entry point for inpatients, it is essential that the "front door" of the hospital operate as efficiently and effectively as possible for patient satisfaction, safety and quality of care.

F) What proportion of the patients seen in the Emergency Department result in an admission to the hospital?

Approximately 23% of patients seen in the ED are admitted as inpatients. Given that almost a quarter of the patients treated in the ED are admitted as inpatients, projected and historical financial data reported for this project include both the inpatients and outpatients/ED patients.

SUPPLEMENTAL

2. Section B. III. (Floor Plan)

The floor plan of the lower level ambulance conveyance, circulation and parking is noted. Please indicate on a revised drawing the vehicular entrances to and exits from the lower level emergency vehicle level.

Please see Attachment B for an additional floor plan of the lower level with the entrances and exits marked.

3. Section C Item 3 (Map of the Service Area)

The copy of the map on page 95 showing the service area is very grainy and does not include Desoto, MS and Crittenden, AR counties. Please provide a clearer map of TN, showing the applicant's declared service area plus the two out-of-state counties as distinguished from the other surrounding counties of the service area.

Please see Attachment C for revised service area maps of the service area. Please replace original pages with this attachment. This pages numbers are noted on the attachment with an R - for Revised.

4. Section C Economic Feasibility Item 4 ( Historical Data Chart)

A) Please provide a Historical Data Chart for the Emergency Department.

Please see Attachment D for the Emergency Department Historical Data Chart.

B) Please provide more detail on the "Other Expenses" of the Historical Data Chart as outlined in the attached table at the end of this letter.

Please see Attachment D and E for details on the Other Expenses in the Emergency Department Historical Data Chart and the Hospital Historical Data Chart.

5. Section C Economic Feasibility Item 4 (Projected Data Chart)

A) Please explain why the applicant has chosen to include Inpatient Admissions, Revenue and Expenses in the Projected Data Chart.

Methodist assumed that the proportion of ED visits that will result in an inpatient admission in Year 1 will be the same proportion of patients admitted through the ED in 2011. Inpatients admitted through the ED utilize ED resources and are a considerable portion (23%) of the patients treated in the ED at Methodist University. Excluding these inpatients from total ED visits would significantly understate the volumes. For this reason, both the revenues and expenses for inpatients admitted through the ED and patients treated and discharged from the ED are included in the Projected Data Chart. In the chart, the applicant included the admitted patients as Inpatient revenues and patients treated and discharged from the ED as Emergency Service revenues.



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B) Please provide more detail on the "Other Expenses" of the Projected Data Chart as outlined in the attached table at the end of this letter. Please see Attachment F for details on the Other Expense in the Projected Data.

As this chart was prepared, it was determined that the Projected Data Chart filed with the application originally had some depreciation expenses misclassified in Other Expenses. Included in this attachment is a revised Projected Data Chart reclassifying depreciation from Other Expenses to Depreciation - all other lines remained the same. Please replace the original page with this revised chart. This pages number is noted on the attachment with an R - for Revised

#### 6. Section C Economic Feasibility Item 6 (Charges)

Please provide definitions of each of the five Levels of Acuity upon which the CPT codes are differentiated.

This response is based on information pulled directly from the American Medical Association (AMA).

Level 1 (CPT 99281) Emergency department visit for the evaluation and management of a patient, which requires these 3 key components:

- a problem focused history
- a problem focused examination
- straightforward medical decision making

Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are self limited or minor.

Level 2 (CPT 99282) Emergency department visit for the evaluation and management of a patient, which requires these 3 key components:

- an expanded problem focused history
- an expanded problem focused examination
- medical decision making of low complexity

Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of low to moderate severity.

Level 3 (CPT 99283) Emergency department visit for the evaluation and management of a patient, which requires these 3 key components:

- an expanded problem focused history
- an expanded problem focused examination
- medical decision making of moderate complexity

Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of moderate severity.

Level 4 (CPT 99284) Emergency department visit for the evaluation and management of a patient, which requires these 3 key components:

- a detailed history
- a detailed examination
- medical decision making of moderate complexity

Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of high severity, and require urgent evaluation by the physician but do not pose an immediate significant threat to life or physiologic function.

Level 5 (CPT 99285) Emergency department visit for the evaluation and management of a patient, which requires these 3 key components within the constraints imposed by the urgency of the patient's clinical condition and/or mental status:

- a comprehensive history
- a comprehensive examination
- medical decision making of high complexity

Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of high severity, and pose and immediate significant threat to life or physiologic function.



7. Section C (Contribution to the Ordeily Development of Health Care) Item 3

Please provide the current staffing plan for the Emergency Department beside the proposed staff plan.

|                             | Methodist-<br>ED Department Only |                            |                       |                       |                       |                |                | BLS 2011 Memphis MSA Data *   |
|-----------------------------|----------------------------------|----------------------------|-----------------------|-----------------------|-----------------------|----------------|----------------|-------------------------------|
| Methodist Position<br>Title | FTE's<br>2012                    | Projected<br>FTE's<br>2014 | FTE's<br>Yr 1<br>2015 | FTE's<br>Yr 2<br>2016 | Mid<br>Annual<br>2011 | Mean<br>Hourly | Mean<br>Annual | BLS Occupation<br>Title       |
| RNs                         | 41.2                             | 42.8                       | 43.8                  | 43.8                  | \$26.03               | \$31.71        | \$65,950       | Registered Nurses             |
| Techs / Paramedics          | 20.7                             | 22.3                       | 23.3                  | 23.3                  | \$16.04               | \$18.04        | \$37,530       | Emergency Medical<br>Techs    |
|                             |                                  |                            |                       |                       | \$17.67               | \$18.04        | \$37,530       | Paramedics                    |
| Access Facilitators         | 15.4                             | 15.4                       | 15.4                  | 15.4                  | \$13.22               | \$14.614       | \$30,380       | Healthcare Support<br>Workers |
| Clerical/ Support           | 13.1                             | 13.1                       | 13.1                  | 13.1                  | \$16.04               | \$14.614       | \$30,380       | Healthcare Support<br>Workers |
| Total                       | 90.4                             | 93.6                       | 95.6                  | 95.6                  |                       |                |                |                               |

\* Source: Bureau of Labor Statistics – May 2011 MSA Occupational Employment & Wage Estimates – Memphis TN/MS/AR

ED volumes are trending up at Methodist University Hospital, and are expected to continue to increase throughout the construction project. In 2012, there are 90.4 FTE's in the ED as shown above. Methodist will staff the ED in 2013 and 2014 to adequately treat to growing number of patients and add 2.6 RNs and 2.6 Techs between 2012 and 2015. This is a replacement project so the number of additional FTEs determined for the project only included the 2 FTEs -1.0 RN and 1.0 Tech - needed between 2014 and 2015.

Recruitment of clinical professionals is challenging, but the hospital's addition of FTEs will take place incrementally over the next few years. Methodist fortunately has the resources to successfully support these recruitment efforts.

8. Section C (Contribution to the Orderly Development of Health Care) Item 7

Please provide a copy of the most recent Joint Commission survey report and the facility's responses.

Please see Attachment G for a copy of the Evidence of Standards Compliance (ESC) Event Summary Report showing the results from Methodist Healthcare-Memphis Hospitals latest Joint Commission survey report. The ESC report provides a list of responses to the recommendations for improvement from the last Joint Commission Survey (April 29, 2010). The "Total EPs" is the number of elements of performance with potential deficiencies associated with each standard. The "Addressed 10-day Clarification EPs" are the elements of performance for which the organization submitted clarifying evidence of standards compliance, and these recommendations for improvement were removed from the final

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report. The "Addressed 45/60 Day EPs" are the elements of performance for which the organization submitted evidence of standards compliance within the specified time frame. The certificate of accreditation was included in attachments when the application was filed. Methodist University Hospital is fully accredited by the Joint Commission. The ED is also certified by the Joint Commission as a Stroke Center and Acute Myocardial Infarction (AMI) Center.

9. Outstanding Certificate of Need Project Updates  
Please provide a two-three sentence update on the progress on each of these projects.

According to HSDA records, Methodist Healthcare has outstanding CONs including:

- A) LeBonheur Children's Hospital - CN0609-076A  
The new pediatric hospital opened December 2010. The renovation of the existing facility is complete. The demolition of the old building is complete and final site work is being completed. All construction will be completed in September 2012.

- B) Methodist Healthcare - Memphis Hospitals - CN0911-055A  
Methodist surrendered CN0911-055 upon approval of CN1111-047A.

- Methodist will follow up to ensure all steps in the process are complete.  
C) Methodist Healthcare - Memphis Hospitals - CN1111-047A

We are in final negotiations with the contractor and expect to start construction in August 2012. Construction is expected to take 6-8 months, and the PET/CT will be installed within the first 4 months of construction.

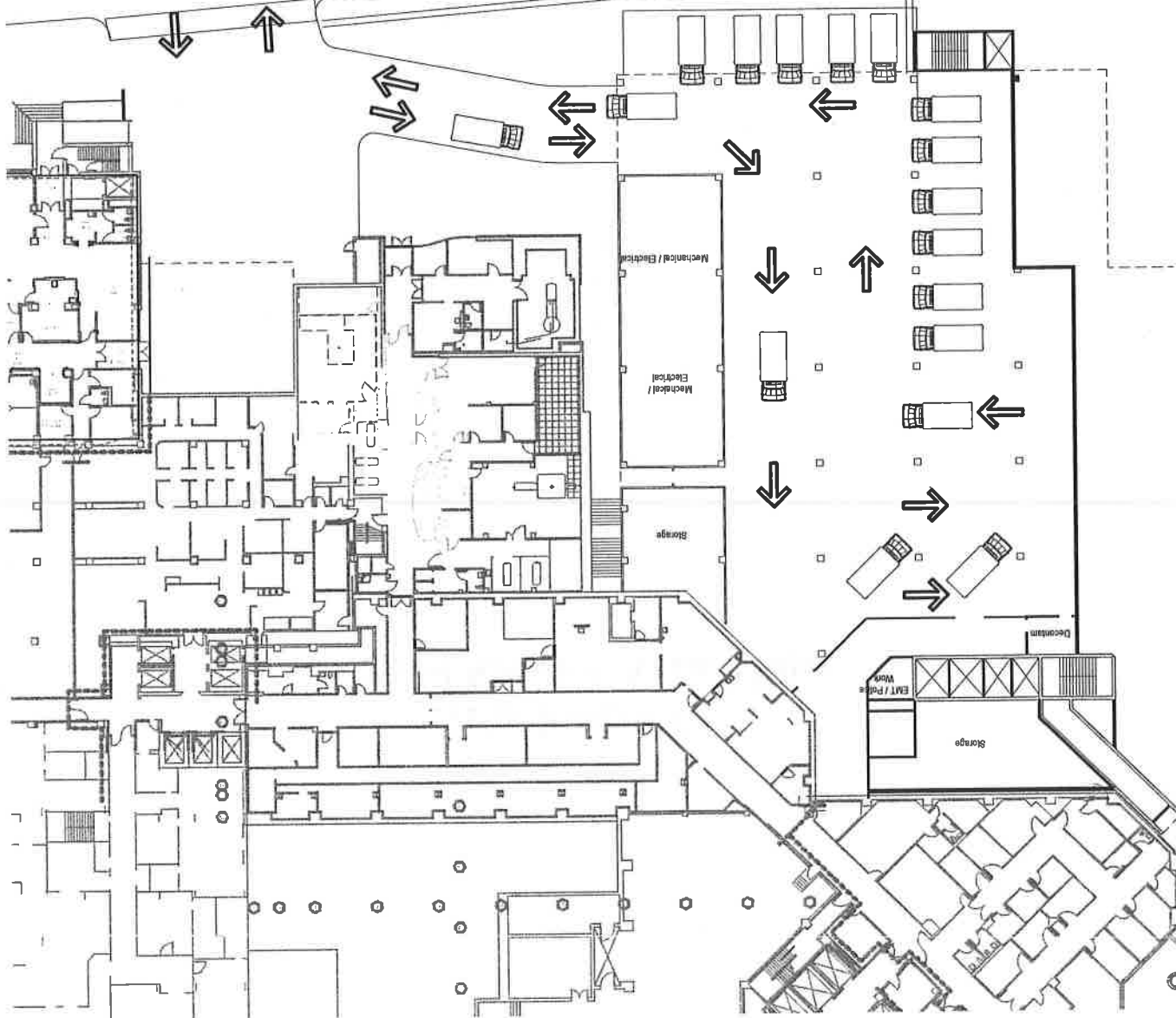
**Attachment A**  
**Revised Detailed Project Description**

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**Attachment B**  
**Lower Level Floor Plans**

EASTMORELAND

Exiting Emergency Vehicle  
Curb Cut



2012 AUG 24 AM 8:22

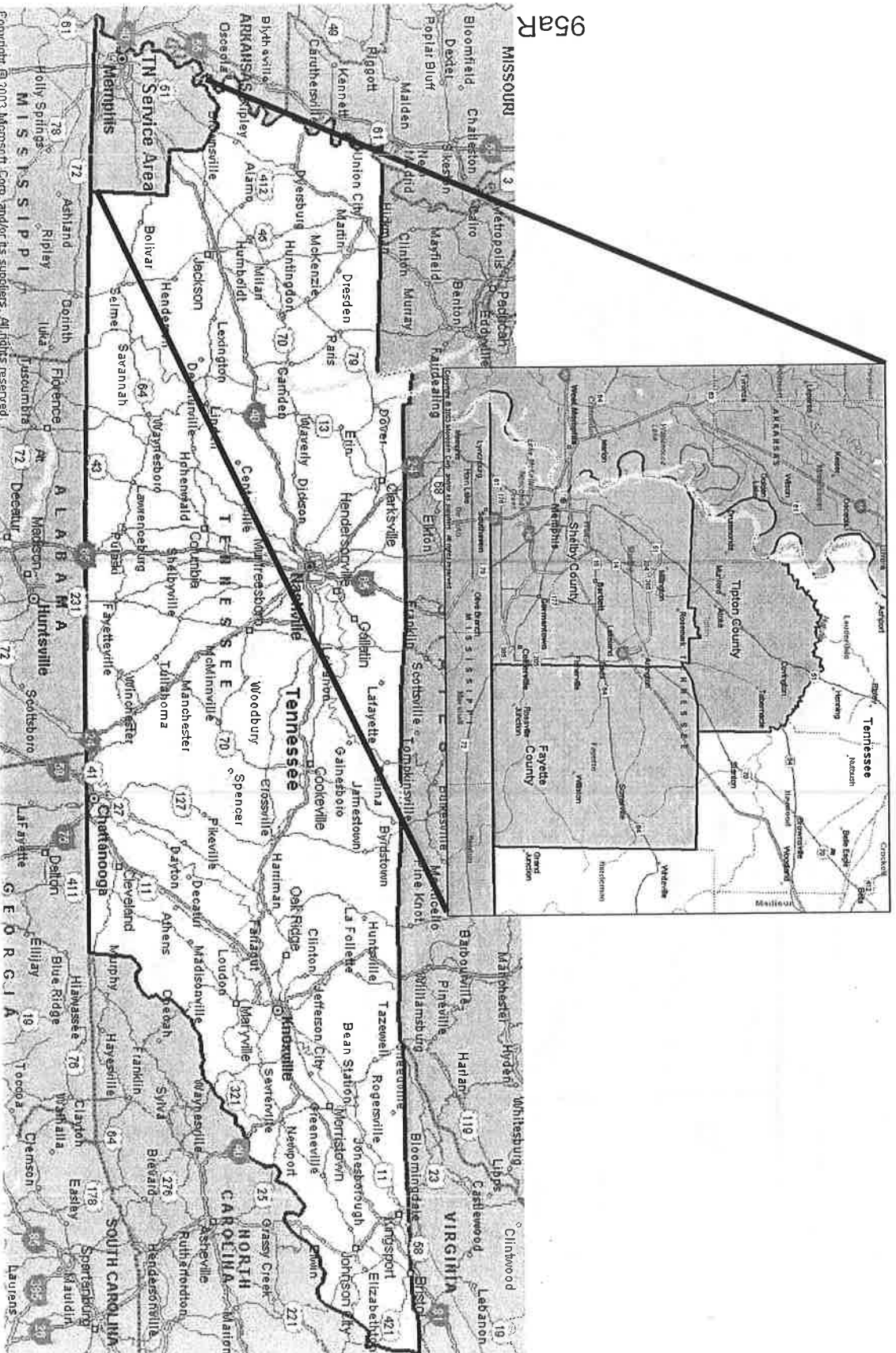
CON - EMERGENCY VEHICLE ACCESS

Methodist University Hospital  
ER Replacement  
08/17/12



## **Attachment C Revised Service Area Maps**

# Methodist Healthcare – Memphis Hospitals Tennessee Portion of Service Area



95aR

This is a detailed black and white map of the Memphis, Tennessee area. The map shows the Mississippi River flowing from the north to the south, with Memphis, Tennessee, situated on its eastern bank. Major highways are depicted with route numbers, including US-51, US-40, US-70, US-63, and various state routes. Surrounding counties are labeled: Crittenden, Shelby, and Fayette in Tennessee; DeSoto and Jefferson in Mississippi; and Lee, St. Francis, and Hughes in Arkansas. Numerous cities and towns are marked, such as Memphis, Bartlett, Lakeland, Germantown, and Millington. The map also shows several lakes, including Lake Mead and Lake Mead. The map is oriented with North at the top.

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**Attachment D**  
**Historical Data Chart for ED**  
**Including Other Expense Chart**

# HISTORICAL DATA CHART

Methodist University Hospital – Emergency Department

Includes Inpatient Admissions in Addition to Outpatients Treated and Released from ED

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

|                                                       | Year 2009   | Year 2010 | Year 2011 |
|-------------------------------------------------------|-------------|-----------|-----------|
| A. Utilization Data (Specify unit of measure)         |             |           |           |
| Visits                                                | 51,205      | 54,765    | 56,725    |
| B. Revenue from Services to Patients                  |             |           |           |
| 1. Inpatient Services                                 | \$ 459,544  | 500,570   | 548,920   |
| 2. Outpatient Services                                |             |           |           |
| 3. Emergency Services                                 | 100,724     | 114,320   | 126,336   |
| 4. Other Operating Revenue Retail Drug & Rebates      |             |           |           |
| Gross Operating Revenue                               | \$ 560,268  | 614,890   | 675,256   |
| C.                                                    |             |           |           |
| 1. Contractual Adjustments                            | \$ 347,894  | 390,959   | 424,035   |
| 2. Provision for Charity Care                         | 67,232      | 73,787    | 81,032    |
| 3. Provisions for Bad Debt                            | 11,205      | 12,298    | 13,505    |
| Total Deductions                                      | \$ 426,331  | 477,044   | 518,572   |
| NET OPERATING REVENUE                                 | \$ 133,937  | 137,846   | 156,684   |
| Operating Expenses                                    |             |           |           |
| 1. Salaries and Wages                                 | \$ 48,147   | 50,594    | 52,473    |
| 2. Physician's Salaries and Wages                     |             |           |           |
| 3. Supplies                                           | 26,913      | 27,677    | 30,474    |
| 4. Taxes                                              |             |           |           |
| 5. Depreciation                                       | 7,334       | 6,558     | 6,865     |
| 6. Rent                                               |             |           |           |
| 7. Interest, other than Capital                       |             |           |           |
| 8. Management Fees                                    | 22,436      | 20,904    | 23,653    |
| 9. Fees to Non-Affiliates                             |             |           |           |
| Other Expenses Benefits & Other Support               | 41,534      | 42,607    | 50,119    |
| Total Operating Expenses                              | \$ 146,364  | 148,340   | 163,584   |
| E. Other Revenue (Expenses) – Net                     | \$          |           |           |
| NET OPERATING INCOME (LOSS)                           | \$ (12,427) | (10,494)  | (6,900)   |
| F. Capital Expenditures                               |             |           |           |
| 1. Retirement of Principal                            | \$          |           |           |
| 2. Interest                                           | \$          |           |           |
| Total Capital Expenditures                            | \$          |           |           |
| NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES | \$ (12,427) | (10,494)  | (6,900)   |

HISTORICAL DATA CHART-OTHER EXPENSES  
Methodist University Emergency Department Chart

| OTHER EXPENSES CATEGORIES (in thousands) |                 |                 |                 |
|------------------------------------------|-----------------|-----------------|-----------------|
|                                          | Year 2009       | Year 2010       | Year 2011       |
| 1. Benefits                              | \$12,037        | \$12,648        | \$13,118        |
| 2. Facilities (Maintenance + Utilities)  | 7,661           | 7,855           | 8,605           |
| 3. Professional Fees                     | 5,519           | 5,966           | 7,403           |
| 4. Contracted Services                   | 9,618           | 9,083           | 10,868          |
| 5. Insurance                             | 1,978           | 2,360           | 1,438           |
| 6. Accounting, Legal, and Consulting     | 1,512           | 1,612           | 3,810           |
| 7. Other                                 | 3,209           | 3,083           | 4,877           |
| <b>Total Other Expenses</b>              | <b>\$41,534</b> | <b>\$42,607</b> | <b>\$50,119</b> |

**Attachment E  
Other Expense Chart  
for Hospital Historical Data Chart**

HISTORICAL DATA CHART-OTHER EXPENSES  
 Methodist University Hospital Chart  
 (in thousands)

| OTHER EXPENSES CATEGORIES (in thousands) |           |           |           |
|------------------------------------------|-----------|-----------|-----------|
|                                          | Year 2009 | Year 2010 | Year 2011 |
| 1. Benefits                              | \$28,988  | \$29,827  | \$29,608  |
| 2. Facilities (Maintenance + Utilities)  | \$12,784  | \$13,856  | \$13,980  |
| 3. Professional Fees                     | \$9,209   | \$10,525  | \$12,027  |
| 4. Contracted Services                   | \$16,049  | \$16,022  | \$17,658  |
| 5. Insurance                             | \$3,300   | \$4,163   | \$2,337   |
| 6. Accounting, Legal, and Consulting     | \$2,523   | \$2,843   | \$6,190   |
| 7. Other                                 | \$3,974   | \$4,674   | \$7,246   |
| Total Other Expenses                     | \$76,827  | \$81,910  | \$89,046  |

**Attachment F  
Other Expense Chart  
for Projected Data Chart  
and Revised Projected Data Chart**

PROJECTED DATA CHART-OTHER EXPENSES  
(in thousands)

| OTHER EXPENSES CATEGORIES (in thousands) |                 |                 |
|------------------------------------------|-----------------|-----------------|
|                                          | Year 2015       | Year 2016       |
| 1. Benefits                              | \$14,865        | \$15,139        |
| 2. Facilities (Maintenance + Utilities)  | 8,605           | 8,605           |
| 3. Professional Fees                     | 7,777           | 7,777           |
| 4. Contracted Services                   | 11,997          | 11,997          |
| 5. Insurance                             | 1,641           | 1,641           |
| 6. Accounting, Legal, and Consulting     | 4,346           | 4,346           |
| 7. Other                                 | 5,577           | 5,577           |
| <b>Total Other Expenses</b>              | <b>\$54,808</b> | <b>\$55,082</b> |

## **Attachment G Joint Commission Survey & Response**



Logged-in: Bret Sanders  
Extranet Home  
Methodist Healthcare Memphis Hospitals  
1211 Union Avenue  
Memphis, TN 38104  
HCO ID: 7874

Evidence of Standards Compliance

The Joint Commission  
**Connect / ESC-MOS**

## Event Summary

Select Event

ESC Quick Tips

ESC 45 Day

The Due Date for your ESC45 is 09/17/2010.

Address each standard indicated below. Once all the standards have been addressed click on the Submit ESC 45 button at the bottom of the page.

| Manuals Standard  | Standard Text                                                                                                                                                                                                                                                                  | Total EPS | Addressed EPS | 10-Day Clarification | 45 Day EPS |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------------|----------------------|------------|
| HAP EC.02.02.01   | The hospital manages risks related to hazardous materials and waste.                                                                                                                                                                                                           | 3         | 0             |                      | 3          |
| HAP EC.02.03.01   | The hospital manages fire risks.                                                                                                                                                                                                                                               | 1         | 0             |                      | 1          |
| HAP EC.02.05.01   | The hospital manages risks associated with its utility systems.                                                                                                                                                                                                                | 3         | 0             |                      | 3          |
| HAP IC.02.01.01   | The hospital implements its infection prevention and control plan.                                                                                                                                                                                                             | 2         | 0             |                      | 2          |
| HAP IM.02.02.01   | The hospital effectively manages the collection of health information.                                                                                                                                                                                                         | 1         | 1             |                      | 0          |
| HAP LS.01.02.01   | The hospital protects occupants during periods when the Life Safety Code is not met or during periods of construction.                                                                                                                                                         | 2         | 0             |                      | 2          |
| HAP MM.04.01.01   | Medication orders are clear and accurate.                                                                                                                                                                                                                                      | 1         | 1             |                      | 0          |
| HAP NMSG.03.04.01 | Label all medications, medication containers, and other solutions on and off the sterile field in perioperative and procedural settings. Note: Medication containers include syringes, medicine cups, and basins.                                                              | 2         | 0             |                      | 2          |
| HAP PC.01.02.07   | The hospital assesses and manages the patient's pain.                                                                                                                                                                                                                          | 2         | 1             |                      | 1          |
| HAP PC.02.01.11   | Resuscitation services are available throughout the hospital.                                                                                                                                                                                                                  | 1         | 0             |                      | 1          |
| HAP PC.03.01.03   | The hospital provides the patient with care before initiating operative or other high-risk procedures, including those that require the administration of deep sedation or anesthesia.                                                                                         | 1         | 0             |                      | 1          |
| HAP PC.03.05.01   | For hospitals that use Joint Commission accreditation for deemed status purposes: The hospital uses restraint or seclusion only when it can be clinically justified or when warranted by patient behavior that threatens the physical safety of the patient, staff, or others. | 1         | 1             |                      | 0          |
| HAP RC.02.01.01   | The medical record contains information that reflects the patient's care, treatment, and services.                                                                                                                                                                             | 1         | 0             |                      | 1          |
| HAP UP.01.03.01   | A time-out is performed before the procedure.                                                                                                                                                                                                                                  | 2         | 1             |                      | 1          |

ESC 60 Day

The Due Date for your ESC60 is 10/02/2010.

Address each standard indicated below. Once all the standards have been addressed click on the Submit ESC 60 button at the bottom of the page.

| Manuals Standard | Standard Text                                                                                                                                                                                                                                                                                                                                                            | Total EPS | Addressed EPS | 10-Day Clarification | 60 Day EPS |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------------|----------------------|------------|
| HAP EC.02.03.05  | The hospital maintains fire safety equipment and fire safety building features. Note: This standard does not require hospitals to have the types of fire safety equipment and building features described below. However, if these types of equipment or features exist within the building, then the following maintenance, testing, and inspection requirements apply. | 1         | 0             |                      | 1          |
| HAP EC.02.05.07  | The hospital inspects, tests, and maintains emergency power systems. Note: This standard does not require hospitals to have the types of emergency power equipment discussed below. However, if these types of equipment exist within the building, then the following maintenance, testing, and inspection requirements apply.                                          | 1         | 0             |                      | 1          |
| HAP EC.02.06.01  | The hospital establishes and maintains a safe, functional environment. Note: The environment is constructed, arranged, and maintained to foster patient safety, provide facilities for diagnosis and treatment, and provide for special services appropriate to the needs of the community.                                                                              | 1         | 0             |                      | 1          |
| HAP HR.01.04.01  | The hospital provides orientation to staff.                                                                                                                                                                                                                                                                                                                              | 1         | 1             |                      | 0          |
| HAP IM.02.01.01  | The hospital protects the privacy of health information.                                                                                                                                                                                                                                                                                                                 | 1         | 0             |                      | 1          |
| HAP LD.04.01.07  | The hospital has policies and procedures that guide and support patient care, treatment, and services.                                                                                                                                                                                                                                                                   | 1         | 1             |                      | 0          |
| HAP LD.04.03.09  | Care, treatment, and services provided through contractual                                                                                                                                                                                                                                                                                                               | 2         | 0             |                      | 2          |

|     |             |                                                                                                                                                             |   |   |   |
|-----|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|
| HAP | LS.02.01.10 | Building and fire protection features are designed and maintained to minimize the effects of fire, smoke, and heat.                                         | 2 | 0 | 2 |
| HAP | LS.02.01.20 | The hospital maintains the integrity of the means of egress.                                                                                                | 2 | 0 | 2 |
| HAP | LS.02.01.30 | The hospital provides and maintains building features to protect individuals from the hazards of fire and smoke.                                            | 1 | 0 | 1 |
| HAP | LS.02.01.35 | The hospital provides and maintains systems for extinguishing fires.                                                                                        | 1 | 0 | 1 |
| HAP | NR.01.01.01 | The nurse executive directs the delivery of nursing care, treatment, and services.                                                                          | 2 | 2 | 0 |
| HAP | PC.01.02.03 | The hospital assesses and reassesses the patient and his or her condition according to defined time frames.                                                 | 1 | 1 | 0 |
| HAP | PC.01.03.01 | The hospital plans the patient's care.                                                                                                                      | 1 | 1 | 0 |
| HAP | PC.02.03.01 | The hospital provides patient education and training based on each patient's needs and abilities.                                                           | 1 | 1 | 0 |
| HAP | PC.03.05.05 | For hospitals that use Joint Commission accreditation for deemed status purposes: The hospital initiates restraint or section based on an individual order. | 1 | 0 | 1 |
| HAP | RC.01.01.01 | The hospital maintains complete and accurate medical records for each individual patient.                                                                   | 2 | 0 | 2 |
| HAP | RC.01.02.01 | Entries in the medical record are authenticated.                                                                                                            | 1 | 0 | 1 |
| HAP | RC.02.01.07 | The medical record contains a summary list for each patient who receives continuing ambulatory care services.                                               | 1 | 0 | 1 |
| HAP | RC.02.03.07 | Qualified staff receive and record verbal orders.                                                                                                           | 1 | 0 | 1 |
| LT2 | PC.01.02.07 | The organization assesses and manages the resident's pain.                                                                                                  | 1 | 1 | 0 |

Submit ESC 60

Submit ESC 45

AFFIDAVIT

2012 AUG 24 AM 8:22

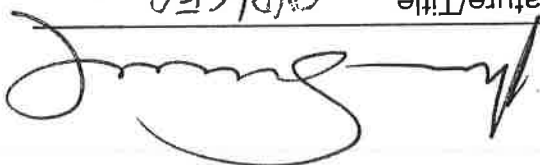
STATE OF TENNESSEE

COUNTY OF SHELBY


NAME OF FACILITY:

Methodist Healthcare-Memphis Hospitals d/b/a Methodist University Hospital

I, Kevin Spiegel, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

  
\_\_\_\_\_  
Signature/Title SVP/CEO

Sworn to and subscribed before me, a Notary Public, this the 22<sup>nd</sup> day of August, 2012, witness my hand at office in the County of Shelby, State of Tennessee.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires Nov 8, 2014.

HF-0043

Revised 7/02



## LETTERS OF SUPPORT

SUPPLEMENTAL



20 South Dudley, Suite 900  
Memphis, Tennessee 38103  
office.901.866.1444  
fax.901.866.1401  
2012 AUG 24 AM 8 28  
www.memphismedicalcenter.com

August 22, 2012

Ms. Melanie Hill

Executive Director

State of Tennessee

Health Services and Development Agency  
500 Deaderick Street, Suite 850

Nashville, TN 37243

Re: Methodist University Hospital Emergency Department Expansion and Replacement Project

Dear Ms. Hill,

On behalf of the Memphis Medical Center and our stakeholders, I am writing to offer our support for the expansion and replacement project of the Emergency Department at Methodist University Hospital. This Emergency Department is a key asset for the area and the renovation and expansion of this department will allow Methodist University to continue serving our region with excellent medical care.

The Memphis Medical Center currently has more than \$1 Billion of capital investment underway among the many stakeholders and we welcome this additional project. The repositioning of the Emergency Department entrance will enhance the area and make this entrance much more visible for patients and visitors utilizing the services.

The Memphis Medical Center is committed to the partnership with Methodist University as we work for the continued improvement for the entire Memphis Medical Center area and is most appreciative that Methodist University Hospital continues to invest in the downtown area.

Sincerely,

*Beth Flanagan*  
Beth Flanagan, Director  
Memphis Medical Center



**Methodist.** Le Bonheur Healthcare

2012 AUG 24 AM 8 28

SUPPLEMENTAL

August 20, 2012

Melanie Hill

Executive Director

State of Tennessee

Health Services and Development Agency

500 Deaderick Street, Suite 850

Nashville, TN 37243

Dear Ms. Hill:

We are writing this letter on behalf of our physician group practices – 47 physicians of which 12 work at Methodist University Hospital - in support of the Certificate of Need application filed by Methodist Le Bonheur Healthcare to expand the emergency department on the Methodist University Hospital campus. We have both worked with the Methodist Healthcare system for over 25 years each.

In our experience, Methodist has a strong commitment to patient safety and quality care, yet maintaining high standards is becoming a challenge in the Methodist University emergency department. The department was designed almost 40 years ago. Over the last few years, physicians and clinicians have adapted and adjusted patient care processes as volumes began to exceed capacity. We have seen renovation projects designed to increase the size of the department as well as improve functionality and work flow. Methodist has made the most of the available space. Yet, volumes continue to grow. Over the last 5 years, there has been intense volume growth over 20%. Currently, space is constrained, visibility is limited with disconnected work areas and current patient flow is inefficient. Barriers must be eliminated to ensure the highest quality of care.

The physician group practice provides emergency services to all adult Methodist Memphis hospitals, therefore giving us first-hand knowledge of the volumes and acuity levels of the patients treated at each facility. University Hospital sees 2 to 3 times more high acuity patient than the other adult hospitals in the system. The space must be designed for efficient patient flow for all levels of acuity, in particular the emergent and urgent patients in the high acuity. We look forward to continuing to serve Methodist Le Bonheur Healthcare and request the approval of the replacement facility at Methodist University Hospital.

Sincerely,

Thomas M. Carr, MD  
Director of Emergency Services  
Methodist Healthcare

Ray Walther, MD, FACP  
Medical Director, Emergency Department  
Methodist University Hospital



"Teamwork with Commitment to Excellence, Compassion, and Immediate Community Protection"

**SUPPLEMENTAL**  
A C WHARTON, JR. - Mayor  
GEORGE M. LITTLE - Chief Administrative Officer  
2012 AUG 29 PM 8:28  
DIVISION OF FIRE SERVICES  
MARK D. BENSON - Director

August 21, 2012

Melanie Hill  
Executive Director  
State of Tennessee  
Health Services and Development Agency  
500 Deaderick Street, Suite 850  
Nashville, TN 37243

Dear Ms. Hill:

I am writing in support of the construction of a new emergency room for Methodist University Hospital in Memphis, Tennessee.

The Memphis Fire Department handles approximately 106,500 EMS calls a year. The vast majority of the patients we transported are taken to Methodist University Hospital. From my observations, it is obvious the emergency room is too small to accommodate the number of patients Methodist University Hospital experiences.

The ambulance bays no longer accommodate the increased number of ambulances and patients seeking treatment at Methodist University Hospital. This adversely impacts the Memphis Fire Department and the return of ambulances to service. Methodist University Hospital needs to eliminate the congestion and delays in offloading patients in order for paramedics to timely return to serving the community.

I strongly encourage you to approve the construction of a new emergency room at Methodist University Hospital.

Please feel free to contact me if I can provide any additional information.

Yours in service,

*Gary Ludwig*  
Gary Ludwig  
Deputy Fire Chief  
Memphis Fire Department



2012 AUG 24 AM 8: 17

August 23, 2012

Melanie Hill  
State of Tennessee  
Health Services and Development Agency  
500 Deaderick Street, Suite 850  
Nashville, TN 37243

Dear Ms. Hill:

Attached please find the original Certificate of Need (CON) CN0911-055A for the relocation of the Positron Emission Tomography/Computed Axial Tomography (PET/CT) from midtown Memphis, Tennessee to Germantown, Tennessee.

Methodist's strategic partnership with The West Clinic modified plans for PET services. Methodist is surrendering CN0911-055 upon approval of the subsequent application (CN1111-047A). Methodist is in the process of relocating the PET/CT unit to The West Clinic's Midtown site which is less than 1 mile from the current location.

Please review and let me you have any questions.

Sincerely,

*Carol Weidenhoffer*

Carol Weidenhoffer  
Corporate Director of Planning & Business Development

Attachments

cc: Lynn Field  
Byron Trauger



STATE OF TENNESSEE  
Health Services and Development Agency



Certificate of Need No. **CN0911-055A** is hereby granted under the provisions of T.C.A. § 68-11-1601, et seq., and rules and regulations issued thereunder by this Agency.

To: Methodist Healthcare-Memphis Hospitals  
1211 Union Avenue, Suite 700  
Memphis, TN 38104

For: Methodist Healthcare-Memphis Hospitals d/b/a/ Methodist University Hospital

This Certificate is issued for: The relocation and replacement of a positron emission tomography (PET)/Computed Axial Tomography (CT) unit from 1388 Madison, Memphis (Shelby County), TN 38104 a site located at 1377/1381 S. Germantown Road, Germantown (Shelby County), TN 38138. The project is the relocation of existing services and will not increase the number of PET units in the service area. Minor renovations to accommodate the new equipment will be required. The project involves 1,132 square feet of renovated space. This project does not involve inpatient beds or the addition of other major medical equipment.

On the premises located at: 1377/1381 S. Germantown Road  
Germantown (Shelby County), TN 38138  
For an estimated project cost of: \$2,242,559.00

The Expiration Date for this Certificate of Need is

April 1, 2013

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: February 24, 2010

Chairman

Date Issued: March 24, 2010

Executive Director

HF-0022 (Rev.1/04)

## JCAHO question

Carol Weidenhoffer [Carol.Weidenhoffer@mlh.org]

Sent:

Monday, August 20, 2012 5:24 PM

To:

Phil Wells

Attachments: ESC.pdf (33 KB)

I spoke with our leaders of quality and compliance at University Hospital on the supplemental question you had on JCAHO reports. They sent the attached. Does this answer the question?

It shows evidence of compliance within the 10, 45 and 60 day time frames. I believe this with our letter of accreditation will provide adequate evidence of our compliance. Please let me know.

I have a few more responses then will send for your review.

Thank you

Carol Weidenhoffer

Director of Planning & Business Development

Methodist Le Bonheur Healthcare

901-516-0679 office

901-516-0624 fax

[Carol.Weidenhoffer@mlh.org](mailto:Carol.Weidenhoffer@mlh.org)

"Be Treated Well."

Logged-in, Bret Sanders  
 Extranet Home  
 Methodist Healthcare Memphis Hospitals  
 1211 Union Avenue  
 Memphis, TN 38104  
 HCO ID: 7874

# Connect / ESC-MOS

Evidence of Standards Compliance

## Event Summary

Select Event

☐ Please check this box to see the Ten Day Clarification Information.

### ESC Quick Tips

The Due Date for your ESC45 is 09/17/2010.

ESC 45 Day

Address each standard indicated below. Once all the standards have been addressed click on the Submit ESC 45 button at the bottom of the page.

| Manuals | Standard      | Standard Text                                                                                                                                                                                                                                                                  | Total Eps | Addressed Eps | Addressed 10-Day Clarif | Addressed 45 Day Eps |
|---------|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------------|-------------------------|----------------------|
| HAP     | EC.02.02.01   | The hospital manages risks related to hazardous materials and waste.                                                                                                                                                                                                           | 3         | 0             | 3                       |                      |
| HAP     | EC.02.03.01   | The hospital manages fire risks.                                                                                                                                                                                                                                               | 1         | 0             | 1                       |                      |
| HAP     | EC.02.05.01   | The hospital manages risks associated with its utility systems.                                                                                                                                                                                                                | 3         | 0             | 3                       |                      |
| HAP     | IC.02.01.01   | The hospital implements its infection prevention and control plan.                                                                                                                                                                                                             | 2         | 0             | 2                       |                      |
| HAP     | IM.02.02.01   | The hospital effectively manages the collection of health information.                                                                                                                                                                                                         | 1         | 1             | 0                       |                      |
| HAP     | LS.01.02.01   | The hospital protects occupants during periods when the Life Safety Code is not met or during periods of construction.                                                                                                                                                         | 2         | 0             | 2                       |                      |
| HAP     | MM.04.01.01   | Medication orders are clear and accurate.                                                                                                                                                                                                                                      | 1         | 1             | 0                       |                      |
| HAP     | NPSG.03.04.01 | Label all medications, medication containers, and other solutions on and off the sterile field in perioperative and procedural settings. Note: Medication containers include syringes, medicine cups, and basins.                                                              | 2         | 0             | 2                       |                      |
| HAP     | PC.01.02.07   | The hospital assesses and manages the patient's pain.                                                                                                                                                                                                                          | 2         | 1             | 1                       |                      |
| HAP     | PC.02.01.11   | Resuscitation services are available throughout the hospital.                                                                                                                                                                                                                  | 1         | 0             | 1                       |                      |
| HAP     | PC.03.01.03   | The hospital provides the patient with care before initiating operative or other high-risk procedures, including those that require the administration of deep sedation or anesthesia.                                                                                         | 1         | 0             | 1                       |                      |
| HAP     | PC.03.05.01   | For hospitals that use Joint Commission accreditation for deemed status purposes: The hospital uses restraint or seclusion only when it can be clinically justified or when warranted by patient behavior that threatens the physical safety of the patient, staff, or others. | 1         | 1             | 0                       |                      |
| HAP     | RC.02.01.01   | The medical record contains information that reflects the patient's care, treatment, and services.                                                                                                                                                                             | 1         | 0             | 1                       |                      |
| HAP     | UP.01.03.01   | A time-out is performed before the procedure.                                                                                                                                                                                                                                  | 2         | 1             | 1                       |                      |

page.

Address each standard indicated below. Once all the standards have been addressed click on the Submit ESC 60 button at the bottom of the page.

The Due Date for your ESC60 is 10/02/2010.

ESC 60 Day

| Manuals | Standard    | Standard Text                                                                                                                                                                                                                                                                                                                                                            | Total Eps | Addressed Eps | Addressed 10-Day Clarif | Addressed 60 Day Eps |
|---------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------------|-------------------------|----------------------|
| HAP     | EC.02.03.05 | The hospital maintains fire safety equipment and fire safety building features. Note: This standard does not require hospitals to have the types of fire safety equipment and building features described below. However, if these types of equipment or features exist within the building, then the following maintenance, testing, and inspection requirements apply. | 1         | 0             | 1                       |                      |
| HAP     | EC.02.05.07 | The hospital inspects, tests, and maintains emergency power systems. Note: This standard does not require hospitals to have the types of emergency power equipment discussed below. However, if these types of equipment exist within the building, then the following maintenance, testing, and inspection requirements apply.                                          | 1         | 0             | 1                       |                      |
| HAP     | EC.02.06.01 | The hospital establishes and maintains a safe, functional environment. Note: The environment is constructed, arranged, and maintained to foster patient safety, provide facilities for diagnosis and treatment, and provide for special services appropriate to the needs of the community.                                                                              | 1         | 0             | 1                       |                      |
| HAP     | HR.01.04.01 | The hospital provides orientation to staff.                                                                                                                                                                                                                                                                                                                              | 1         | 1             | 0                       |                      |
| HAP     | IM.02.01.01 | The hospital protects the privacy of health information.                                                                                                                                                                                                                                                                                                                 | 1         | 0             | 1                       |                      |
| HAP     | LD.04.01.07 | The hospital has policies and procedures that guide and support patient care, treatment, and services.                                                                                                                                                                                                                                                                   | 1         | 1             | 0                       |                      |
| HAP     | LD.04.03.09 | Care, treatment, and services provided through contractual                                                                                                                                                                                                                                                                                                               | 2         | 0             | 2                       |                      |

|     |             |                                                                                                                                                               |   |   |   |
|-----|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|
| HAP | LS.02.01.10 | Building and fire protection features are designed and maintained to minimize the effects of fire, smoke, and heat.                                           | 2 | 0 | 2 |
| HAP | LS.02.01.20 | The hospital maintains the integrity of the means of egress.                                                                                                  | 2 | 0 | 2 |
| HAP | LS.02.01.30 | The hospital provides and maintains building features to protect individuals from the hazards of fire and smoke.                                              | 1 | 0 | 1 |
| HAP | LS.02.01.35 | The hospital provides and maintains systems for extinguishing fires.                                                                                          | 1 | 0 | 1 |
| HAP | NR.01.01.01 | The nurse executive directs the delivery of nursing care, treatment, and services.                                                                            | 2 | 2 | 0 |
| HAP | PC.01.02.03 | The hospital assesses and reassesses the patient and his or her condition according to defined time frames.                                                   | 1 | 1 | 0 |
| HAP | PC.01.03.01 | The hospital plans the patient's care.                                                                                                                        | 1 | 1 | 0 |
| HAP | PC.02.03.01 | The hospital provides patient education and training based on each patient's needs and abilities.                                                             | 1 | 1 | 0 |
| HAP | PC.03.05.05 | For hospitals that use Joint Commission accreditation for deemed status purposes: The hospital initiates restraint or seclusion based on an individual order. | 1 | 0 | 1 |
| HAP | RC.01.01.01 | The hospital maintains complete and accurate medical records for each individual patient.                                                                     | 2 | 0 | 2 |
| HAP | RC.01.02.01 | Entries in the medical record are authenticated.                                                                                                              | 1 | 0 | 1 |
| HAP | RC.02.01.07 | The medical record contains a summary list for each patient who receives continuing ambulatory care services.                                                 | 1 | 0 | 1 |
| HAP | RC.02.03.07 | Qualified staff receive and record verbal orders.                                                                                                             | 1 | 0 | 1 |
| LT2 | PC.01.02.07 | The organization assesses and manages the resident's pain.                                                                                                    | 1 | 1 | 0 |

Submit ESC 60

Submit ESC 45



**LETTER OF INTENT** 2012 AUG 10 AM 10:13  
**TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY**

The Publication of Intent is to be published in the Commercial Appeal which is a newspaper of general circulation in Shelby County, Tennessee, on or before August 10, 2012 for one day.

=====

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Methodist Healthcare-Memphis Hospitals d/b/a Methodist University Hospital (a general hospital), owned and managed by Methodist Healthcare-Memphis Hospitals (a not for profit corporation), intends to file an application for a Certificate of Need for the replacement of the Emergency Department (ED) and relocation of the ED within the hospital's campus at 1265 Union Avenue, Memphis, TN 38104. The project is the construction of a replacement ED and renovation of existing space. The project will replace an existing CT. The project involves approximately 93,000 square feet of new space and 6,200 of renovated space. This project does not involve inpatient beds, initiation of services or addition of other major medical equipment. The estimated total project costs are \$33,488,985.

The anticipated date of filing the application is on or before August 15, 2012. The contact person for this project is Carol Weidenhoffer, Corporate Director of Planning and Business Development, who may be reached at: Methodist Healthcare, 1211 Union Avenue, Suite 700, Memphis, TN, 38104, 901-516-0679.

Carol Weidenhoffer  
(Signature)

8-10-12  
(Date)

Carol.Weidenhoffer@mlh.org  
(E-mail Address)

=====

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency  
Andrew Jackson Building  
500 Deaderick Street, Suite 850  
Nashville, Tennessee 37243

=====

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

=====

**CERTIFICATE OF NEED  
REVIEWED BY THE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH STATISTICS  
615-741-1954**

2012 OCT 22 PM 2:15

**DATE:** October 31, 2012

**APPLICANT:** Methodist Healthcare-Memphis Hospitals  
d/b/a Methodist University Hospital  
1588 Union Avenue  
Memphis, Tennessee 38104

**CONTACT PERSON:** Carol Weidenhoffer  
Planning and Business Development  
1211 Union Avenue, Suite 700  
Memphis, Tennessee 38104

**COST:** \$33,488,985

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Health Statistics, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: Guidelines for Growth, 2000 Edition*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

**SUMMARY:**

The applicant, Methodist Healthcare-Memphis d/b/a Methodist University Hospital, located in Memphis (Shelby County), Tennessee, seeks Certificate of Need (CON) approval for the replacement of the emergency department (ED) and the relocation of the ED within the hospital's campus at 1265 Union Avenue, in Memphis. The project is for the replacement of the ED and renovation of existing space, which involves approximately 93,000 square feet of new space and 6,200 square feet of renovated space. The project will also replace an existing CT unit. This project does not involve patient beds, initiate services, or add major medical equipment.

The total cost of construction is \$27,550,473 or approximately \$277.93 per square foot. The costs of this project are reasonable and comparable to similar projects throughout the applicant's service area and Memphis over the last five years. The applicant provides a comparison of other projects on page 10 of the application.

The applicant, Methodist Healthcare-Memphis Hospitals (Methodist) is a not-for-profit corporation that operates five Shelby County hospitals under a single license. The applicant is a wholly-owned subsidiary of a parent organization, Methodist Healthcare, which is a not-for-profit corporation with ownership and operating interests in healthcare facilities in West Tennessee and North Mississippi.

The total estimated project cost is \$33,488,985 and will be funded in cash by the applicant's parent, Methodist Healthcare who is financially viable.

**GENERAL CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition*.

**NEED:**

The project's service area consists of Fayette, Shelby, and Tipton counties in Tennessee and DeSoto County in Mississippi and Crittenden County in Arkansas.

The following charts illustrate the 2012 and 2016 total population and age 65 and older population projections for the applicant's Tennessee service area.

**Service Area Total Population Projections for 2012 and 2016**

| <b>County</b> | <b>2012 Population</b> | <b>2016 Population</b> | <b>% Increase/<br/>(Decrease)</b> |
|---------------|------------------------|------------------------|-----------------------------------|
| Fayette       | 39,245                 | 41,453                 | 5.6%                              |
| Shelby        | 949,665                | 976,726                | 2.8%                              |
| Tipton        | 62,952                 | 66,587                 | 5.8%                              |
| <b>Totals</b> | <b>1,051,862</b>       | <b>1,084,766</b>       | <b>3.1%</b>                       |

Source: *Tennessee Population Projections 2000-2020, February 2008 Revision*, Tennessee Department of Health, Division of Health Statistics

**Service Area Age 65 and Older Population Projections 2012 and 2016**

| <b>County</b> | <b>2012 Population</b> | <b>2016 Population</b> | <b>% Increase or<br/>(Decrease)</b> |
|---------------|------------------------|------------------------|-------------------------------------|
| Fayette       | 5,693                  | 6,814                  | 19.7%                               |
| Shelby        | 100,217                | 113,906                | 13.7%                               |
| Tipton        | 7,271                  | 8,434                  | 16.0%                               |
| <b>Totals</b> | <b>113,181</b>         | <b>129,154</b>         | <b>14.1%</b>                        |

Source: *Tennessee Population Projections 2000-2020, February 2008 Revision*  
Tennessee Department of Health, Division of Health Statistics

The replacement ED at Methodist University Hospital will essentially become the "front Door" of the hospital. As part of the project two buildings on the campus, the Doctors' and West buildings at the corner of Bellevue Boulevard and Eastmoreland Avenue will be demolished. A two-story building will house the new ED at this site. A new heliport will be built on the roof of the new building. The existing heliport will remain intact as a back-up.

The first floor will house the Main ED and the second floor will be interstitial space for mechanical support. A total of 54 treatment areas will be housed in the new ED, an addition of 16 new areas, creating potential capacity for 70,000 visits. The lower level of the building will be the new ambulance bays with elevators to the main floor of the ED. This lower level space will also convert to a mass decontamination area which is an important component to have in place for disaster planning.

The existing lobby of the hospital will be renovated as part of the project and will tie into this new building.

As part of this project, an existing CT scanner located in the ED will be replaced.

The following chart illustrates an overview of the increase in the number of treatment spaces by treatment area.

| <b>Main ED</b>                | <b>Current #<br/>of Spaces</b> | <b>Proposed #<br/>of Spaces</b> |
|-------------------------------|--------------------------------|---------------------------------|
| Exam Rooms                    | 21                             | 21                              |
| Trauma Rooms                  | 1                              | 1                               |
| Resuscitation Rooms           | 3                              | 4                               |
| Observation Rooms             | 0                              | 6                               |
| <b>Rapid Medical Exam</b>     |                                |                                 |
| Swing Rooms                   | 7                              | 10                              |
| Open Bays                     | 4                              | 10                              |
| Intake(Convertible space)     | 2                              | 2                               |
| <b>Total Treatment Spaces</b> | <b>38</b>                      | <b>54</b>                       |

The applicant provides a detailed description of the projected floor plans in Supplemental 1 on revised pages 8R, 9R, and 10R that use the floor plans located in the application in Attachment B:IV. The applicant utilizes the lettered areas in the floor plan to discuss in detail the components of the new ED project.

Methodist plans to use Integrated Project Delivery (IPD) implementation on this project. It is a team approach with agreement between the owner, contractor, and architect for construction management. This innovative model reduces costs and waste through shared risks and rewards.

Similar to a recent construction project led by Methodist, the facility will be designed as a green building and upon completion will pursue Leadership in Energy and Environmental Design (LEED) certification.

Methodist University Hospital is a tertiary academic medical center located in downtown Memphis, well positioned to serve all five counties in their service area. Methodist University Hospital is committed to education and advancements in clinical care as such are a vital organization within the medical district.

The need for this project is based on the fact that the Methodist University ED is landlocked, the building is almost forty years old, and is antiquated and out-of-date. The deteriorating physical plant alone justifies the need for the project.

The ED is certified by The Joint Commission as a Stroke Center and Acute Myocardial Infarction (AMI) Center and is pursuing certification from the Society for Chest Pain Centers for Cycle IV Accreditation. Referrals for these high-end services have grown over the last several years.

Additionally, the ED has experienced intense volume growth over the last years placing greater demands on departments for improved efficiencies, higher standards of quality and satisfaction, and increased need to treat patients faster. Emergency visits have increased from almost 47,000 visits in 2007 to almost 57,000 in 2011, and the trends are expected to continue. The increased levels of visits have exacerbated several issues in the current ED which cause inefficient workflow and unacceptable turnaround times. Space is constrained, visibility is limited with disconnected work areas and design does not provide good pathways for patients. Patient safety and quality are central areas of focus for Methodist. Challenges with patient flow must be eliminated to ensure the highest quality of care.

Methodist hospital treats a very high number of level one (emergent) and two (semi-emergent) patients with almost 40% of total ED visits classified at these high acuity levels. As compared to the other adult facilities in the Methodist system, the University hospital has at least two to three times of these as other ED's. Methodist University is the back up for The Regional Medical Center when they are on diversion and it is imperative they have adequate space available.

There is also a need to reposition and expand the ambulance bays. The ambulance bays no longer accommodate the increased number of ambulances and patients seeking treatment at Methodist University. This adversely impacts paramedics and the return of ambulances to service. Methodist needs to eliminate congestion and delays in offloading patients in order for paramedics to timely return to serving the community.

The project will also improve design for disaster planning with convertible space. The lower level space designated for ambulances can be converted to a mass decontamination area. The observation beds in the main ED are positioned so that they can easily be sealed off for decontamination if needed.

This ED project is a long-term solution for the community and area patients.



The special needs of the service area population are significant. Shelby County is one of the least healthy communities in the country. The population service area is projected to age with the baby boomers generation with 18% growth in the Methodist service area in the next five years. The older age cohorts already account for 60% of the health care expenditures. Such chronic illnesses, prevalent in this age group, include heart disease, stroke, hypertension, diabetes, and cancer which all potentially require more intensive use of healthcare services.

Tennessee has one of the highest heart disease mortality rates in the United States. Death rates in the Methodist service area are higher than the state and national CDC average with Tipton at 484.5, Fayette at 458.0, and Shelby at 450.0 per 100,000 compared to Tennessee at 422.4 and the Nation at 359.1.

Death rates from strokes in the Methodist service area are higher than the State and National CDC averages with Tipton at 105.4, Fayette at 101.2 and Shelby at 112.9 per 100,000 as compared to Tennessee at 98.9 and the Nation at 78.6.

Additionally, from Methodist's tri-state service area, Mississippi ranks 2<sup>nd</sup> in the Nation by CDC in obesity. Arkansas is ranked is ranked first. Tennessee is no longer in the top 10. Under different criteria, the Memphis TN-AR-MS Metropolitan Statistical Area has an obesity rate of 35.8% as compared to the Tennessee rate of 31.7 and National median rate of 27.5%. Obesity related conditions include heart disease, stroke, Type 2 diabetes, and some types of cancer.

The methodology used to project the ED configuration includes the following. The determination of the required number and mix of treatment locations was based on detailed analysis of current arrival patterns, length of stay assumptions, and planned changes in operational patterns. Simulation models were developed to estimate bed utilization during peak periods to establish the required number of treatment locations.

The applicant's plans are based on peak volumes using historical seasonal patterns, day of week variations and time of arrival patterns. July and August are peak periods, averaging 6% above the overall average. Monday is the peak day of week, averaging 16% of total arrivals. Based on a target annual volume of 70,000 visits, the typical peak day workload would average 220 visits.

After review of the current and anticipated patient mix, the hospital chose to plan further operations on a "split-flow" model. This is an approach to future planning that is gaining acceptance throughout the country. The key assumption for Methodist is that all patients with lower acuity levels will be seen in the Rapid Medical Evaluation (RME) units. Lengths of stay assumptions were adjusted to reflect this more efficient management of lower acuity patients. It reduces patient arrival to bed time to near zero.

Two additional operational adjustments were established for future operations. A small observation was identified to manage patients that are awaiting admission, or need extended observation. A second adjustment is the creation of a results waiting area. This would be used during peak periods for low acuity patients awaiting diagnostic results prior to discharge.

The Flexisim simulation model was observed for seven simulated days, first in an "unconstrained" and then at fixed bed capacities. The beds included in this application are projected to meet the demand with minimum queuing by patients, and minimal use of hall beds. This model yielded the need for 54 treatment spaces.

The applicant provides a table on page 3 of Supplemental 1 that illustrates the actual and projected ED utilization by acuity level of care.

**TENNCARE/MEDICARE ACCESS:**

The following chart illustrates the TennCare enrollees in the applicant's service area.

**TennCare Enrollees in the Proposed Service Area**

| County       | 2012<br>Population | TennCare<br>Enrollees | % of Total<br>Population |
|--------------|--------------------|-----------------------|--------------------------|
| Fayette      | 39,245             | 5,623                 | 14.3%                    |
| Shelby       | 949,665            | 229,068               | 24.1%                    |
| Tipton       | 62,952             | 11,618                | 18.5%                    |
| <b>Total</b> | <b>1,051,862</b>   | <b>246,309</b>        | <b>23.4%</b>             |

Source: *Tennessee Population Projections 2000-2020*, February 2008 Revision Tennessee Department of Health, Division of Health Statistics and *Tennessee TennCare Management Information System, Recipient Enrollment*, Bureau of TennCare

Methodist Healthcare-Memphis Hospitals contracts with all three TennCare plans offered in the service area-AmeriChoice, BlueCare and TennCare Select and with Medicaid in adjoining states. The estimated year one payor mix for Methodist University Hospital is \$398,315,000 or 49.5% Medicare; \$129,089,000 for TennCare/Medicaid or 16%; \$116,713,000 or 14.5% Self Pay; and commercial/other \$160,694,000 or 20%.

**ECONOMIC FACTORS/FINANCIAL FEASIBILITY:**

In the Project Costs Chart, the total estimated project cost is \$33,488,985, which includes \$1,878,441 for architectural and engineering fees; \$80,000 for legal, administrative, and consultant fees; \$5,026,250 for preparation of site; \$20,019,635 for construction costs; \$2,753,231 for contingency fund; \$1,083,928 for fixed equipment; \$1,402,500 for moveable equipment; \$1,200,000 to relocate Doctors and West building occupants; and \$45,000 for CON filing fees.

In the Historical Data Chart for the Emergency Department project only, located in Supplemental 1, the applicant reported 51,205, 54,765, and 56,725 visits in 2009, 2010, and 2011 with gross operating revenues of \$560,268,000, \$614,890,000, and \$675,256,000 each year, respectively. Contractual adjustments, provisions for charity care and bad debt reduced net operating revenues to \$133,937,000, \$137,846,000 and \$156,684,000 each year. The applicant reported management fees of \$22,436,000, \$20,904,000, and \$23,653,000 each year. The applicant reported a net operating loss of (\$12,427,000), (\$10,494,000), and (\$6,900,000) each year, respectively.

In the Projected Data Chart, the applicant projects 64,702 visits in year one and 66,320 visits in year two with gross operating revenues of \$804,811,000 and \$824,937,000 each year, respectively. Contractual adjustments, provisions for charity care and bad debt reduced net operating revenues to \$181,536 and \$186,075 each year. The applicant projects management fees to affiliates of \$24,168,000 and \$24,274,000 each year, respectively. The applicant projects a net operating loss of (\$3,306,000) in year one and \$(1,561,000) in year two of the project.

The charges by service level are Level 1 \$397, Level 2 \$463, Level 3 \$692, Level 4 \$1,126, and Level 5 \$1,315. The applicant compares with St. Francis and Baptist Memorial Hospital CON projects for ED visit charges on page 31 of the application.

Methodist University explored the option of renovation of the existing ED instead of new construction. However, due to lack of available space and the determination that renovations would not correct patient flow issues, the decision to construct a new facility for the ED was proposed.

**CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:**

Methodist Healthcare-Memphis Hospitals' license includes 5 hospitals and they own and operate a home care company and other ambulatory services such as urgent care centers and ASTCs. They are part of the University Medical Center Alliance which includes the University of Tennessee and

The Med supporting efficiency across all three institutions. They have agreements with the Mid-South Tissue Bank, Mid-South Transplant Foundation, Duckworth Pathology, PhyAmerica, and Premier Purchasing Partners and list their managed care contracts in Attachment C: Orderly Development 1.

The proposed project will have a positive impact on the Shelby County health care community. The project does not propose to increase Methodist's market share. The project proposes to remedy patient flow and satisfaction issues with Methodist University patients, staff, physicians and paramedic partners.

The ED is certified by The Joint Commission as a Stroke Center and Acute Myocardial Infarction (AMI) Center and is pursuing certification from the Society for Chest Pain Centers for Cycle IV Accreditation. Referrals for these high-end services have grown over the last several years.

Additionally, Methodist University is the back up for The Regional Medical Center when they are on diversion and it is imperative they have adequate space available.

The applicant provides the current and proposed staffing for the ED in Supplemental 1, page 7.

The applicant provides a listing of clinical affiliation agreements for the training of students in Attachment C Orderly Development, 6.

The Tennessee Department of Health, Board for Licensing Healthcare Facilities, licenses Methodist Healthcare-Memphis Hospitals d/b/a Methodist University Hospital. The most recent licensure survey occurred on 1/17/08 and deficiencies were noted in the areas of building standards and food and dietetic services. The plan of correction was approved on 2/13/08. Documentation regarding deficiencies and the approved plan of correction are provided by the applicant in Attachment C. Orderly Development.

The Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accredits Methodist Healthcare-Memphis Hospital d/b/a Methodist University Hospital.

### **SPECIFIC CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition*.

### **CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS**

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

*This criterion is not applicable. There are no beds, services, or major medical equipment being added in this proposed project. The CT scanner for this project is a replacement.*

2. For relocation or replacement of an existing licensed health care institution:

- a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

*This criterion is not applicable. The project is a replacement and not a relocation project.*

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

*A detailed justification for this ED replacement is provided on pages 17, 18, 19, and 20 of the application.*

3. For renovation or expansions of an existing licensed health care institution:

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.
- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

*A detailed justification for this ED replacement and expansion are provided by the applicant to a. and b. above in the narrative and exhibits on pages 17, 18, 19, and 20 of the application.*